

**REPORT
OF THE
KHADI AND VILLAGE
INDUSTRIES
REVIEW COMMITTEE**

(KAVIRC)



FEBRUARY 1987

**MINISTRY OF INDUSTRY
(DEPARTMENT OF INDUSTRIAL DEVELOPMENT)
GOVERNMENT OF INDIA
NEW DELHI**

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INTRODUCTION

Resolution No. 6(4)/82-KVI(I) dated 18th February, 1985 of the Government of India, Ministry of Industry and Company Affairs (Department of Industrial Development) is reproduced below :

“The Government of India set up the Khadi and Village Industries Commission (KVIC) in 1957 for the promotion of Khadi and Village Industries. The scale of activities of the KVIC has since increased considerably, keeping pace with the development of khadi and village industries sector. Also, new organisations have come into existence for the promotion of industrial and rural development. In view of this, it is considered necessary to review the role played by the KVIC, its policies and programmes and also its systems and procedures. For this purpose, the Government of India have decided to constitute, with immediate effect, a Committee consisting of the following persons.

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| 1. Shri M. Ramakrishnayya formerly Chairman of NABARD & Deputy Governor of Reserve Bank of India. | Chairman |
| 2. Chairman, KVIC ¹ . | Member |
| 3. Additional Secretary and Financial Adviser, Ministry of Industry & Company Affairs. ² | Member |
| 4. Joint Secretary In-charge of KVI Division, Department of Industrial Development. | Member |
| 5. Adviser (VSI), Planning ³ Commission | Member |
| 6. Chief Executive Officer ⁴ , KVIC | Member |
| 7. Prof. Kamta Prasad, Indian Institute of Public Administration. | Member |
| 8. Shri Harbhajan Singh, Chief Manager, State Bank of India, New Delhi. | Member |
| 9. Shri V. Padmanabhan ⁵ , Chairman, Certification Committee, KVIC | Member |

1 & 5 : On the expiry of the term of KVIC, Shri A. M. Thomas, Chairman and Shri V. Padmanabhan, Chairman Certification Committee were renominated as non-official Members w.e.f. 1-11-1986 vide Resolution No. 4(1)/86-KVI(I) Vol. II dated 12th November, 1986.

2 & 3 : On retirement, Shri K. C. Sodhia, Additional Secretary and Financial Adviser, Department of Industrial Development and Shri K. V. S. Murthy, Adviser, (VSI), Planning Commission, were renominated w.e.f. 1st August, 1986 and 1st July, 1986 respectively as non-official Members vide Resolution No. 4(1)/85-KVI(I) dated 8th September, 1986 and 1st July, 1986.

4 : Shri V. K. Srinivasan till 25th December, 1985.
Shri C. R. Bhagwat from 26th December, 1985 to 6th October, 1986; and
Shri I. S. Rao from 6th October, 1986 onwards.

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| 10. A Scientist/Technologist ⁶ | Member |
| 11. Shri Y. A. Panditrao,
Dy. Chief Executive Officer, KVIC. | Member Secretary. |

2. The terms of reference of the Committee shall be as follows :—

- (1) To review the role played by the KVIC as an apex level organisation in fulfilling the functions and tasks assigned to it and to suggest, the role it should play in future;
- (2) To review the policies and programmes initiated by the KVIC, to ascertain the extent to which they have produced the desired results, to point out their shortcomings, if any, to suggest better ways of implementation and monitoring and also to suggest new policies and programmes based on the felt needs of the KVI sector;
- (3) To examine the institutional and organisational needs of the KVI sector, to recommend changes, if any, which are required to be made in the existing institutional and organisational structure, to define and suggest effective linkages between the various organisations which are engaged in promoting rural development, to suggest ways and means of securing better co-ordination and better working relationships between the KVIC and State KVI Boards in achieving their common aims and objectives;
- (4) To review the financial systems and procedures adopted by the KVIC and to suggest suitable modifications;
- (5) To recommend ways of giving effective marketing support to village industries;
- (6) To suggest new ways and means of harnessing science and technology to meet the requirements of the KVI sector; and
- (7) To recommend any other measures which are considered appropriate by the Committee for the growth and development of the KVI sector.

3. The committee shall begin its work at once and shall submit its final report by 31st December, 1986. The Committee may meet as often as is considered necessary and at any place in the country convenient to it. The Committee shall evolve its own procedures for fulfilling the task entrusted to it".

4. The Committee commenced its work immediately. Its term was extended thrice—the first time upto 30th September, 1986, the second time upto 31st January, 1987 and the third time upto 28th February, 1987.

6 : Shri R. N. Kapoor, Director, Institute of Engineering and Rural Technology, Allahabad was appointed as Member against the vacancy of a Scientist/Technologist vide Resolution No. 4(1)/85-KVI(I) dated 14th June, 1985.

5. The KVI Review Committee (KAVIRC) devised and circulated a comprehensive questionnaire to solicit views and information from eminent persons in the field, economists, constructive workers and those actively associated with the implementation of various programmes of rural development, besides State Governments, State KVI Boards, nationalised banks, implementing agencies like registered institutions and cooperatives engaged in khadi and village industries, officials of the KVIC and its research and training institutions etc. Appendix I gives the list of respondents. The replies received from the respondents proved helpful to the Committee in crystalising its views.

6. The following Special Studies and Seminars were organised at the instance of the Committee :

- (i) A Working Group was formed under the Chairmanship of Shri V. S. Page, Veteran Gandhian worker and former Chairman, Maharashtra State Khadi and Village Industries Board, to study the working of the institutions registered under the Societies Registration Act of 1860 and other comparable State Acts;
- (ii) A Working Group on Khadi and Village Industries Cooperatives was organised under the Chairmanship of Shri K. P. Padmanabhan, Member of Faculty, College of Agricultural Banking, Reserve Bank of India, Pune;
- (iii) Tata Economic Consultancy Services, Bombay was engaged for studying the Marketing of Honey;
- (iv) The Centre for Studies in Decentralised Industries, Bombay was requested to make an indepth study of the production centres in the Bassi Block of Rajasthan set up by Khadi Gramodyog Sangh Vikas Samiti. This was partly financed by IDBI;
- (v) The Internal Work Study Unit, Department of Industrial Development, Government of India completed an O & M study of the KVIC;
- (vi) The Directorate of Economic Research of KVIC conducted a Socio-economic survey of KVI artisans and reviewed the experiment conducted by the Katantaka Khadi Gramodyog Samyukta Sangh (Federation), Bengeri, Hubli, Karnataka State, in spinning with the aid of 24-spindle power operated charkhas;
- (vii) National Seminar on Handmade Paper Industry was conducted by the National Institute of Small Industries Extension Training (NISJET), Hyderabad; and
- (viii) A study on Financial Procedures and Costing Method by Shri S. N. Kaza as Consultant.

7. In all, the Committee held 15 meetings. At first meeting, Shri Arif Mohammad Khan, the then Minister of State for Industry addressed the Members.

8. The Government desired that the Committee should submit its views on the re-organisation of KVIC before the middle of 1986 as the Commission's term was due to expire in September of that year. Accordingly, the first part of the Report consisting of Chapters 1, 2 and 3 was submitted to the Government of India on 14th June, 1986. They now form part of the final Report. We are glad to note that the Government of India framed a Bill on the basis of the recommendations made in Part I of the Report and introduced it in the Rajya Sabha on 9-12-1986.

9. We are grateful to all the persons and institutions who have responded to our questionnaire and our invitation to meet us and discuss the matters covered by our terms of reference. Their written replies and oral statements have helped us considerably in formulating our views.

10. We are particularly thankful to Shri V. S. Page, Shri K. P. Padmanabhan, Reserve Bank of India who agreed to spare Shri Padmanabhan's services, Shri S. N. Kaza, the Director and the Faculties of NISIET, Shri B. T. Acharya of the Centre for studies in Decentralised Industries, the IDBI, Tata Economic Consultancy Services and all other who spared their valuable time and completed their studies that were entrusted to them. We are also thankful to Shri R. N. Kapoor, Member of the Committee, who took the trouble to prepare a report on research and training institutes of KVIC. We have been able to gain useful insights as a result of their efforts.

11. We would like to make a special mention of the officers and staff of the KVIC, particularly the State Directors in the States we visited for the arrangements made, the kindness and courtesy extended to us and the willing cooperation in supplying the necessary information. Our thanks are also due to the Resident Representative of KVIC and his staff at New Delhi who made excellent arrangements for holding the meetings at New Delhi. We also acknowledge with thanks the cooperation and hospitality we received from the State Governments, State KVI Boards and their officials and institutions during our visits.

12. The Chairman and other Members of the Committee would like to place on record their appreciation of the hard work and dedication shown by Shri Y. A. Panditrao, the Member Secretary in planning the work of the Committee, in making arrangements for the visits, in drafting the Report and in getting the various tasks completed within the short time available. We are aware that he had to bear the burden of assisting the Committee in addition to his regular duties in the Commission as Dy. Chief Executive Officer in-charge of several important portfolios. We also wish to convey our sincere thanks to the officers and the staff of the Directorate of Economic Research and Bank Finance, KVIC. In Particular, we appreciate the thorough and painstaking work of S/Shri W. S. Sawant, Sr. Economic Investigator, P. S. Prabhu, Stenographer-I, Kum. V. G. Prabhudesai, LDC(T) and Shri P. Sreedharan, Private Secretary to the Chairman, KAVIRC who have assisted the Committee.

SUMMARY OF MAIN CONCLUSIONS AND RECOMMENDATIONS

CHAPTER I

The feeble exercise initiated in the Second Plan and continued in the Third Plan to integrate khadi and village industries with the larger programme of rural development came to an abrupt end with the abandonment of the Community Development programme and the dismantling of block machinery in most of the States. Although great concern was expressed in the Fourth and the Fifth Plan about the rising unemployment in the rural areas and special programmes like Crash Scheme for Rural Employment (CSRE) and Drought Prone Area Programmes (DPAP) were introduced, they remained confined to land-based activities oriented to agriculture. KVIC with its charter of skill-based activities oriented to artisans was by and large not drawn into these special employment programmes. (1.16)

2. Although the District Level Officer of the State KVIB has been included as Manager-in-charge of village industries in the DIC in some States, a great deal has still to be done to make these links strong, useful and effective. The Seventh Plan document has recorded that the target under the Industry part of ISB sector of IRDP could not be achieved in the Sixth Plan for various reasons. Now that the Seventh Plan has nevertheless reaffirmed broadly the approach under IRDP, we have to bring about organisational and other improvements that would help in achieving the objectives. (1.18)

3. Though funds are available for village industries programmes from other sources such as Tribal Sub-Plan, Special Component Plan for Scheduled Castes and Women's programmes, the KVIC and the State KVIBs are often required to provide necessary support although no proper organisational arrangements have been evolved by the concerned agencies for ensuring the necessary degree of co-ordination. As a result, co-ordination has been left to the initiative of the local officers. This has worked well in some areas while in some others it has not. (1.19)

4. As flow of funds through other channels for setting up of village industries has been increasing the allocations to the KVIC have been declining in terms of percentage of total public sector outlay. (1.20)

5. While the figures of employment under khadi have shown a fluctuating trend, those under village industries have shown a welcome rise. Village industries scored a march over khadi for the first time in 1973-74 with 9.29 lakh persons employed against 8.84 lakhs of khadi. They have been registering a steady increase year after year from 1973-74, thus reaching 24.84 lakh persons in 1984-85, while khadi stagnated at 13.05 lakh persons in that year. (1.25)

6. The development of village industries in their widest sense including khadi is an important element in any action programme directed towards the alleviation of rural poverty. Further, this recognition is no longer confined to a few disciples of Gandhiji but is shared by a large number of planners, administrators, social workers and others engaged in rural development. (1.26)

7. The khadi and village industries programmes which started as a non-Governmental programme by a few voluntary institutions with the aid of charitable donations has been transformed into a nation-wide programme with definite public sector outlays from the national plans, supplemented by earmarked funds from other plan programmes. These developments which have raised serious problems of co-ordination have important implications for KVIC as an organisation. (1.26)

CHAPTER II

8. The employment potential of the KVI programme cannot be realised in full if its inputs and outputs are strictly limited to locally available raw materials and local markets respectively. While local raw materials and local markets should be utilised to the maximum, there is need for a flexible attitude towards wider markets. (2.2)

9. In addition to the ideological buyers, a new class is emerging, which is attracted by the price, fashion of the day, convenience and other factors. It should be the endeavour of KVIC to encourage both classes of buyers by studying their behaviour patterns and servicing them properly. This is true not only of the urban buyers but also of the rural buyers. There is also a great and urgent need for KVIC adopting what may be called a market approach to the problems of raw material supply, technology, training of artisans, research of consumer behaviour, packaging, processing, pricing etc. (2.3)

10. Some structural changes have to be made in the composition of the highest policy making body which is expected to provide leadership, direction and bring about the much needed change and improvement in this crucial area of marketing. (2.4)

11. Another important issue before the KVIC is the development and transfer of technology which alone can ensure productivity and wage at satisfactory levels. In fact, the wage has to be somewhat higher, if the employment is intended to be whole-time and the production activity is to be carried on throughout the year without interruption. Experience has shown that a reasonable wage can be maintained on a continuing basis only when the artisan is able to achieve productivity of a higher order and to produce a quality product, by adopting suitable technology for the purpose. (2.5)

12. There is an imperative need to provide leadership and guidance in the KVIC at the highest level for the performance of the important function of technology development and transfer. (2.7)

13. The third issue is related to the industrywise jurisdiction of KVIC and the spatial distribution of its programme. The implications of issues like establishment of a separate Commission for village industries, need for expansion of industries under the purview of the KVIC, need for developing an organisation for taking care of the forward and backward linkages in all such activities such as IRDP and TRYSEM, location of village industries in a village only, have to be carefully considered. (2.8)

14. It must be remembered that the artisans of the village had an honoured place in the economy. The artisans must be enabled to produce the goods and services now in effective demand. Considering the readiness of the village artisans to adopt themselves to modern designs, new raw materials and modern processes, the time has come for the KVIC to initiate steps towards modernisation and help the artisans and their units to attain a higher scale of operations in due course through marketing support and other necessary assistance. KVIC should see its role as one of infusing modernity, diversification and entrepreneurship with a view to achieving higher scales of operation in the same manner as other organisations help the units in the tiny sector to graduate into SSI sector and thereafter into the medium sector. For this purpose, the Government will do well to adopt a new definition for the village industries based on capital input per head of worker. (2.9)

15. As regards the proposal to delete village industries from KVIC and constitute a separate Commission, the balance of advantage clearly lies in continuing with the juxtaposition of khadi and village industries in the same organisation and taking sufficient precautions to see that persons nominated on the KVIC do have empathy and ability for developing village industries. (2.10)

16. In regard to bringing handicrafts under the same organisational roof as village industries, it is necessary to bear in mind the main features of the two subjects. It is necessary that different policies, approaches and programmes may have to be followed for the development of these two items of industrial activities. So we advise caution in regard to the proposal to make one organisation responsible for both. Perhaps the adoption of new definition of village industries will in due course bring under KVIC some of the rural based handicrafts producing simple items. There is, therefore, no need to take a rigid view at this juncture and disturb the existing organisational set up. (2.11)

17. Village industries, however defined, should be located in a village. (2.12)

18. It is desirable that the KVIC draws up a programme for covering all the villages by a particular date, by so grouping small villages in clusters as to ensure economic viability

as well as proper supervision/servicing by administrative agencies/KVI institutions. Considering the various factors, the minimum size of the cluster may vary from a population of 1,000 to 5,000 depending upon the local conditions. All clusters of villages should be covered by the turn of the century: (2.13)

19. As a result of spurt in the number of implementing agencies such as directly aided institutions, problems such as timely receipt of funds and proper control and supervision have cropped up. (2.16)

20. Some State Governments and State Boards have also complained that as a result of significant part of the programme in the State being serviced directly by the KVIC, they have no overall view of the progress being made. There is some substance in the argument that to keep the State Khadi and Village Industries Boards in the dark about some of the old institutions is to deprive the former of the opportunities to spread the message of their example of learn from their experience. (2.18)

21. On the KVIC's side, 70 per cent or more of its time and energy is being spent on the routine work. At present, the KVIC's attention is being diverted from the much more important task of planning and organising development activities, training facilities and functions like marketing and research. Time has come for the KVIC to free itself from the routine work as much as possible by adopting a viable alternative system. (2.19)

22. While the State Governments are jealous of their rights and are not very amenable to the suggestion to amend their Acts suitably for providing necessary control or influence to the KVIC, they are keen on getting the funds from the KVIC. In these circumstances, it is perhaps advisable for the KVIC to explore the possibility of imposing conditions as part of the orders sanctioning the funds and enforcing them strictly. (2.20)

23. In regard to the problems of co-ordination, it may be mentioned that though a ministerial level committee was formed under the Chairmanship of the Minister of Industry, it did not meet regularly and could not come to grips with the practical problems of co-ordination. Similarly, though the Chairman of the KVIC is a member of several high level committees, there is no reverse association of different bodies with the KVIC. In practice, other Boards are not effectively exposed to the problems of khadi and village industries and there is no forum where serious discussion in-depth can take place on the mutual problems and possible solutions can be pursued vigorously and systematically. (2.21)

24. While we see a greater affinity between the subjects dealt with by KVIC and the subjects at present under the control of the Ministry of Rural Development, we are not confident that the problems of co-ordination will be automatically solved by the transfer of KVIC under the Ministry of Rural Development and that new problems will not arise, particularly those relating to common production programmes involving technologically

diverse units. There are also other subjects like handlooms, sericulture and handicrafts which will still be left under different Ministries. Prudence indicates the advisability of devising suitable fora and procedures for developing a responsive interface between different agencies that work for rural industrialisation. (2.21)

25. The problems of co-ordination are even more acute at the State, District and Block levels. (2.22)

26. Although special area programme which the KVIC implemented in Bijapur has been a great landmark, it suffers from several shortcomings. It is not enough to launch employment programme and to undertake production. It is equally necessary to make suitable arrangement for improving the quality of the product and effecting sales. (2.23)

27. KVIC decided to select one district each in 20 selected States to undertake KVI programmes in an intensive manner (average 15 blocks per district). The Government should find ways and means to utilise the experience and expertise of KVIC in promoting village industries under the anti-poverty programme like TRYSEM and IRDP and for this purpose to bring about coordination between DRDA and the Ministry of Rural Development on the one hand and the KVIC and the State KVIB on the other. (2.25)

28. One of the main issues before the KVIC in future will be to equip itself to fulfil its role as the premier spokesman of the interests of the artisans. Obviously, it will have to revamp its People's Education Programme and focus its attention on different groups at the policy making level, administrators, planners, economists, scientists etc. (2.26)

CHAPTER III

29. In view of the national commitment to actively promote employment opportunities in the non-farm sector for the rural poor, particularly the new entrants into the labour force, it should be our endeavour to cover all viable clusters of villages before the end of the century by khadi and village industries of all kinds and build, for the purpose, a network of competent institutions at the National, State, District, Block and Village levels. This involves two kinds of measures : first, the revamping of the most important part of khadi, the hand-spinning of yarn and the expansion of the scope of village industries to include all kinds and second, co-ordination of the efforts of all concerned agencies, governmental and non-governmental and banks, consistently with the imperatives of evolving technology, competing production systems, changing markets, social needs and other relevant factors. (3.2)

30. In the choice of development programmes, the national organisation should be guided by three objectives viz :

- (a) to create employment opportunities in the non-farm sector in the rural areas at wages/earnings which are, at the least, comparable to the prevailing levels of wages in the farm sector during the non-peak season;
- (b) to produce saleable articles or to provide services for which there is effective demand; and
- (c) to support rural development in its widest sense and to improve the quality of rural life. (3.3)

31. In other words, khadi and village industries must be approached not merely from the sentimental or historical angle but in consonance with socio-economic considerations. The handspinning, the most characteristic part of khadi, has, of late, revealed its potential, with the improvements made in the pre-processing stage and introduction of NMC and the modern trend for rough fabrics. The adoption of a market approach will help clarify issues in khadi as well as village industries. In the case of the latter, those industries which are often classified as service industries as distinct from manufacturing industries should also be encouraged and modern tools and processes and electric power wherever available should be used without ideological inhibition in accordance with the market approach. (3.4)

32. A clear definition will help KVI sector develop a distinct identity of its own. Village industry (including khadi) shall mean an industry, which is located in a place with a population not exceeding 10,000 (or such other figure as may be prescribed from time to time) which produces goods or services, with or without the use of electric power, and in which the fixed capital investment per head of artisan/worker does not exceed Rs. 30,000 or such other sum as may be prescribed from time to time. However, any non-manufacturing facilities or unit that may be located in a place with population exceeding 10,000 in connection with the sole purpose of promoting, maintaining, assisting, servicing (including mother units) or managing a village industry as defined, shall be deemed to be a village industry. We recommend that notwithstanding the above definition, any unit recognised as a village industry prior to the date on which this definition comes into force, will continue to enjoy the status of a village industry irrespective of its location. It will continue to operate at the level already attained but further expansion at the existing location will not be eligible for special treatment or assistance applicable to a village industry. (3.5)

33. In regard to the desirability of prescribing overall ceiling for investment at one location in the light of limited resources, need to avoid concentration and our emphasis on a plan for covering all clusters of villages by the turn of the century, we have come to the conclusion that the fixation of a rigid ceiling is fraught with practical difficulties. In our view, it should be sufficient to lay down broad guidelines. Accordingly, we suggest that while sanctioning a scheme for a village or cluster of villages, the Commission should take into account the nature of activity, the scope for activities with lower capital cost and the

actual fixed capital investment per working worker envisaged for the scheme. For example, if it is a mother unit servicing other producing units such as soap base unit or sliver making unit, a liberal view may be taken. At any rate, capital ceiling has to be calculated separately for each activity and not for all activities together of the sponsoring institutions as a whole. (3.6)

34. The national organisation should be free to undertake any activity that fulfils the criteria in para 3.3 and falls within the capital ceiling mentioned in para 3.5. As a consequence of this freedom, the national organisation is expected to develop capability for providing technical guidance and assistance to some new village industries in the manufacturing and service sectors and for building the backward and forward linkages for the artisans receiving financial assistance under anti-poverty programmes. (3.7)

35. There is strong case for restructuring the KVIC and strengthening it suitably for meeting the challenges of the present and the future. (3.8)

36. Despite the enlarged role, there is no good reason for adopting a new name for the national level organisation. The acronym KVIC has acquired over the years a certain goodwill and reputation which it would be manifestly unwise to lose by taking on a new name. (3.9)

37. KVIC needs to be restructured, keeping in view the latest situation, the new objectives and the future tasks. The need of the current decade and the next is to innovate, modernise and meet the challenges of the market and fast changing technology. It is not, therefore, adequate any longer to have a Commission entirely consisting of constructive workers, but to have a mixed group which will also include constructive workers and professionals well-versed in their respective disciplines. It must be cohesive body that can concentrate on high policy matters without getting bogged down in petty administrative details and personnel matters which usually bring in their train internal bickerings and factious atmosphere. (3.10)

38. The Commission may be composed of 12 members as follows :

- (i) The Chairman, who may preferably be a non-official of high stature, experienced in the management of public affairs, particularly in the field of Khadi and Village Industries or in the wider subject of rural development;
- (ii) Five non-official members with experience and knowledge of KVI who should be drawn from different zones as defined in the Zonal Councils Act at the rate of one for each zone, excluding the zone from which the Chairman hails. Care should be taken to see that as far as possible as many States and Union Territories as possible will have opportunities for representation in the Commission

by rotation. In selecting these non-officials, greater weightage should be given to experience and knowledge in village industries in view of the need for greater stress on villages in future;

- (iii) Four members with knowledge and expertise in economics, planning, marketing, science and technology, technical education and training;
- (iv) The Financial Adviser to KVIC — ex-officio Member; and
- (v) Chief Executive Officer, who will be a senior administrative officer with aptitude for and experience in the field of rural development. He will also function as Secretary of the Commission. (3.12)

39. While the Chairman, the Financial Adviser and the Secretary will be whole time, the rest will be part time. Exception may be made in the case of two or three expert members. It is desirable to fix the tenure of the Chairman and members of the Commission at 5 years. Nomination should be made in such a manner that there will be no interregnum between one Commission and another. To facilitate this, the Chairman of the KVIC should continue in office even after expiry of the tenure till the successor enters upon his office. (3.13)

40. For efficient working, the Chief Executive Officer must be made a full member, fully responsible for the day-to-day management of the Commission's affairs and must be given all the necessary powers for the purpose. The Chairman, it must be clear, has the final authority and should, along with the Commission, be vested with the appellate functions and powers in administrative matters, although, he may not be involved in the day-to-day management. Further, to safeguard the primacy of the Chairman, it should be laid down that the Chief Executive Officer should function under the general supervision, direction and control of the Chairman. (3.14)

41. In the revised set up envisaged by us, there is no need to provide for a Vice-Chairman and non-official member secretary. (3.15)

42. On the analogy of other organisations of All India nature, it is advisable to draw a distinction between primacy in policy-making and appellate jurisdiction in administrative matters on the one hand and implementation of policies and day-to-day administration on the other. The former should be the exclusive preserve of the non-official Chairman, while the latter should be left largely to the official who is nominated to head the administrative organisation. The Chairman's primary control may be limited to the top level and perhaps to the middle level also. He will do well to utilise the knowledge and expertise of the Chief Executive Officer in respect of the rest, holding in his hands appellate jurisdiction in respect of them. (3.16)

43. The Commission has decided to delegate powers in respect of a number of items to the Chief Executive Officer. We recommend that the process of delegation should be

carried down further to the Directors in the Central Office and the State Offices so that the premier organisation in charge of the decentralised sector does not itself become a victim of the disease of over-centralisation. (3.17)

44. We also recommend that the Financial Adviser who is envisaged in the Act and Rules as watch-dog on behalf of the Government is fully integrated with the KVIC. As in other statutory bodies, he should be fully in charge of the financial functions and made fully responsible for all the financial affairs of the Commission. He may be redesignated as Financial Adviser and Chief Accounts Officer. He shall be free to advise on any matter of financial import that will be placed before the Commission for consideration without being disposed of in the ordinary course. In such matters, he shall also have the authority to advise that the Commission should bring them to the notice of the Government before approval. A suitable provision must be made in the law, making it mandatory for the Chief Executive Officer to comply strictly with the advice to place the matter before the Commission. It should also provide that the Commission may take a decision as it deems fit on such matters recording the reasons for the decision. (3.18)

45. The All India Khadi and Village Industries Board is also in need of restructuring in the light of the latest developments. It should include in particular, such of those interests, departments and experts, concerned with the programmes, as could not be accommodated in the Commission itself. The membership should be as to facilitate the discussion of all problems of co-ordination and the hammering out of suitable solutions through mutual consultation. At the same time, it should not be an unduly large body. It may have 30-35 members at the maximum. A 30 members Board is indicated. (3.19)

46. KVIC may set up the practice of holding annual conference of all SKVIBs for detailed discussions of State's problems in the same manner as Central Ministries and other Central Bodies hold annual consultations with their counterparts in the States. (3.20)

47. We recommend that the Board meets at least twice a year and assists the Commission through special committees that may be formed to examine select issues indepth and to suggest practical solutions to problems of coordination, technology transfer, marketing, institutional finance etc. (3.21)

48. We recommend there should be a thorough review of the rules governing the matters that ought to be brought before the Commission and its Standing Finance Committees. The aim should be to ensure that these bodies concern themselves with the broad policy matters or special exceptions to the rules, leaving the day-to-day sanctions, individual cases and routine matters to be decided on file at the appropriate levels. (3.22)

49. Some method has to be found to reduce the load of work and to refurbish the image and the utility of the Standing Finance Committees. (3.24)

50. As regards Certification Committee also, there is need for some rethinking. There is a case for evolving a system to ensure quality, reasonable wages and non-exploitative character of both khadi and village industries. (3.25)

51. We recommend that, in order to bring out clearly the role envisaged for the restructured KVIC in the future, the functions enumerated in section 15 of the KVIC Act, 1956 should be revised and elaborated as suggested. (3.26)

52. We would like the Commission to be a national apex body for planning, sponsoring and promoting necessary activities in the field of khadi and village industries, short of direct involvement in production. (3.27)

53. During the review of the KVIC Act and Rules consequent on the above recommendations, it should be possible to make such provisions as will enable the Commission to act as a truly autonomous body charged with the responsibility for development of village industries. (3.28)

CHAPTER IV

54. The All India Board of 1953 envisaged the State Board as the principal agency for implementing its programme and direct dealing with the field institutions were to be in the nature of exceptions. But we have found that except in Gujarat, KVIC has continued its policy of aiding institutions directly. Considering that the full potential of the KVI programmes can be realised only through active participation of State Governments and co-ordination with other rural employment programmes, the exhortation of 1953 for close co-operation between the All India Body and the State Governments continues to be relevant today. To this end, KVIC and the State Boards should jointly adopt suitable measures and policies. (4.2)

55. At present, statutory Boards exist in all States and Union Territories except the Union Territories of Arunachal Pradesh, Lakshadweep, Andaman and Nicobar Islands and Dadra Nagar Haveli. But they reveal considerable diversity in their composition and functioning. (4.3)

56. The Boards were originally intended to be replicas of the KVIC at the State level. However, in reality, they have not gone much beyond the disbursement of funds received from the KVIC. Obviously, even this single function carries with it the responsibility for planning the growth of different industries, developing infrastructure and monitoring the utilisation of sanctioned funds. But it is difficult to say that these implications have been fully understood and acted upon by all the Boards. (4.5)

57. The following common defects have been noticed in the working of the State Boards :
- (a) frequent changes in composition of the State Boards;
 - (b) frequent changes of the Chief Executive Officer and Financial Adviser;
 - (c) non-availability of technical and ministerial staff more particularly the technical and improper recruitment of staff and junior functionaries;
 - (d) absence of any in-services training;
 - (e) absence of statistical cell and machinery to monitor the programme;
 - (f) inadequate delegation of powers to various functionaries; and
 - (g) deficiencies, in maintenance of accounts and lack of financial discipline. (4.6)
58. For the defect at (a), we recommend statutory fixed tenure for the State Board. (4.7)
59. For the defect at (b), we recommend that frequent transfers of the Chief Executive Officer and Financial Adviser of the SKVIBs must be avoided in the larger interest as a matter of policy. (4.8)
60. Defects at (c), (d), (e) and (f) are again matters that can be cured if the State Governments concerned order a review of the administrative arrangements and decide to streamline them keeping in view the needs of the programme. In view of several disquieting facts, the State Governments should undertake a detailed review of the staffing patterns, technical cadres, the reporting systems and the monitoring arrangements prevalent in their State Boards and initiate a plan of action for strengthening and improving them. The State Governments should undertake a complete review well before the commencement of the next annual plan so that action could be completed by 31-3-1989. For in-service training for the staff of the State Boards, suitable plan should be drawn and this should be a regular feature. (4.9)
61. At present, KVIC does not get regularly the monthly statements of accounts from most of the Boards. In some cases, the bank reconciliation work is in arrears and discrepancies are often found between the figures recorded in the books of KVIC and those furnished by the State Boards. As regards audit, we agree with the KVIC on the desirability of entrusting the audit of the Boards with the State Accountants General who are best placed to conduct not only the regular statutory audit but also propriety audit and present their reports for discussion in the State Legislatures. The working of the State Board is reviewed by the Committee of Public Enterprises of State Legislatures. (4.10)
62. There are instances in which funds provided by KVIC for the development programmes are diverted to meet the establishment expenditure of the Boards. KVIC should take prompt and stern action once diversion comes to notice. (4.11)

63. It will be seen that the position of outstanding utilisation is quite unsatisfactory in some State Boards and a large number of the outstanding cases relate to disbursements to individual artisans who were directly assisted by the State Boards. State Boards took up financing individual artisans without creating adequate machinery for monitoring the scheme. Some mechanism at the field level is absolutely necessary for identification of the artisans, ascertaining their needs, fixing the loan limits and monitoring their performance from time to time. (4.12)

64. Another objectionable practice of some State Boards that has come to notice is that of keeping the money meant for individual artisans as well as institutions in a joint bank account in the name of the beneficiary and the District Village Industries Officer. Yet another irregularity committed by some State Boards is to issue cheques to their district offices or District Industries Centres, show the amount as disbursed and claim recoupment from KVIC. Ordinarily, one is entitled to recoupment only when the amounts reach the ultimate beneficiary. (4.13)

65. The time has come for the KVIC to take other measures such as withholding of assistance if the State Board does not comply with the condition relating to the competence and suitability of the persons selected for the important post of Financial Adviser and Chief Accounts Officer with the prior approval of the Commission. (4.14)

66. The State Boards too have their grievances. Their main complaint against the KVIC is late release of imprest. In view of the recent practice of approving the State Boards Budget for two years, there should not be any difficulty on this account. (4.15)

67. KVIC's policy of supplying tools and equipment to industries has also come under criticism. The KVIC should have authority to approve the list of technically qualified suppliers and KVIC might insist that the equipment should be manufactured and purchased through the recognised suppliers only. For this purpose, KVIC should approve various institutions in different States. KVIC should lay down a limit upto which State Boards will have authority for approving feasibility report. (4.16)

68. Considering that many of the cases of diversion of funds from working capital to capital expenditure have arisen due to escalation in the costs of construction, the KVIC must evolve a system which can take note of regional variations in costs and make quick adjustments so as to enable the State Boards to carry on the programme without committing any irregularities. (4.18)

69. The model bill on State Boards circulated earlier may be reconsidered in the light of the suggestions made in this report. (4.19)

70. There are regional imbalances in the development of KVI within the States. The State Boards should, in consultation with the KVIC and the field institutions prepare plans for covering all viable clusters of villages within a specified period as suggested in para 2.13. (4.22)

71. The State and Union Territories Governments will have to play a more active and aggressive role than in the past in regard to KVI sector, if KVI activities are to be developed, according to a plan, in all the viable clusters of villages in all the States and Union Territories, within a time frame and in co-ordination with similar anti-poverty programme. They have to revitalise their Khadi and Village Industries Boards and reorient them, so as to provide leadership and direction to the entire programme and not merely to parts thereof. The Boards will have to take within their fold all the implementing agencies in the field and assist them in developing the khadi and village industries in their respective areas of operation upto the full potential. This was indeed the original intention behind the creation of Statutory Boards at the State level. (4.23)

72. It is unrealistic for a national body like KVIC to attempt at establishing direct relations with a large number of field organisations on parallel lines without involving the State Boards. While the KVIC should concentrate on higher policy, planning, research, training and marketing for the entire KVI sector, it should encourage the State Governments and State Boards to undertake the responsibility for preparing detailed field plans for the villages on an area basis for strengthening existing institutions and for building new field institutions wherever necessary, for implementing the approved programmes in a co-ordinated manner and for monitoring. The KVIC and the State Boards should together evolve suitable policies and measures for this purpose.

- (a) To begin with, KVIC should revive the old practice of providing full information to the State Boards about the directly aided institutions and their programmes and of inviting them to the periodical reviews undertaken by the Commission;
- (b) The KVIC, should as a rule, consult the State Boards and ascertain their views before adding a field institution to the directly aided list;
- (c) As regards the institutions which are already on the directly aided list, the Commission will have to study the position in each State and draw up after careful consideration a plan for action for transferring them to the jurisdiction of the State Boards. The KVIC should ensure that the timing and terms of transfer are determined as far as possible with the consent of the parties concerned. There is no particular merit in rushing through the transfer or fixing a definite date for completing it.
- (d) The State Boards should be reorganised so as to include some persons who have experience in the affairs of the registered institutions on the directly aided list who can generate confidence among the constructive workers.

- (e) As the entire exercise is meant to do away with the present fragmented approach and to promote an overall view of the KVI sector at the State level, the State Boards should declare their readiness to help all the approved activities.
- (f) The State Boards should, as a matter of policy, transform themselves into service organisations, by separating departmental production facilities and creating a separate organisation for looking after them. The field institutions should be encouraged to think that the Boards are not their competitors, but their friends, philosophers and guides. KVIC can help in this process by adopting suitable financial procedures and policies. (4.24)

73. There is an imperative need for KVIC to end the present practice of dealing with a large number of institutions directly, as soon as possible, and bring into effect the kind of arrangements that are in vogue in respect of Gujarat. There would be some transitional problems which would have to be handled with proper care. At any rate, it should be ensured that work should not suffer on account of the change-over. The strategy for achieving this aim should be worked out State by State. (4.26)

74. Similarly, the State Governments should decide to make use of the State Boards for co-ordinating all programmes falling within KVI sector, irrespective of their origins or departments sponsoring them. Although all these programmes carry substantial Central assistance and are required to be operated under elaborate guidelines issued by the Central Government, the details are determined and worked at the State, District and Block levels. The DICs and DRDAs which are State Government agencies are charged with the responsibilities of implementing these programmes. The district staff of State Boards are generally associated with the district level agencies though somewhat loosely. There is great scope for making this association closer and more meaningful as a matter of policy.

75. Basically, it will no longer do to have a State Board consisting, exclusively of non-officials. The Board should combine in its membership the dedication and field knowledge of the constructive workers on the one hand and the expertise and special skill of professionals on the other. As the State Boards are mainly concerned with problems of implementation particularly co-ordination with other departments, it is necessary to include their representatives also. For the same reason, we consider it advisable to make the Minister-in-charge, the Chairman of the Board. If the Minister is overburdened or has too many portfolios, he may be given the power to nominate one of the non-official members as Vice-Chairman. The Board may be composed of 11-12 members as follows :

- | | |
|--|----------|
| 1. Minister-in-charge | Chairman |
| 2. (2-6) Five non-officials who are associated with or having experience of whom two representatives of KVI registered institutions, one, cooperatives mainly engaged in KVI sector and two experienced particularly in KVI sector or generally in rural development | Member |

- | | | | |
|----|--------|---|-----------|
| 3. | (7-8) | Representative of Department of Rural Development, Women's Development and Social Welfare (SC/ST) | Member |
| 4. | (9-10) | Scientist, economist, marketing expert | Member |
| 5. | (11) | Member of the KVIC representing the zone in which the State is located or nominee of the Chairman of the KVIC in respect of his zone. | Member |
| 6. | (12) | Chief Executive Officer | Secretary |

The State Director of KVIC must be invited to all meetings and accorded the status of permanent invitee. It is hoped that his presence and the attendance of the non-official member of the KVIC at the Board meetings as a full member will go a long way to build harmonious relations between the KVIC and the Board and to speed up the solution of difficulties that may arise in the implementation of programmes. (4.28)

76. As the State Board is a statutory body set up under an Act of State Legislature, it is necessary for the sake of good order that its annual report and audited accounts should be placed on the table of the legislature regularly every year. (4.29)

77. The head of the administration i.e. the Chief Executive Officer must be properly chosen from among those who have aptitude and competence and experience of rural development and must have a reasonably long tenure and must be given the necessary powers and sufficiently high status to streamline, control and monitor the organisation. (4.30)

78. The District Village Industries Officers of the Board should be closely associated with DIC and DRDA and must be delegated with the powers by the Board for sanctioning assistance upto a limit. (4.30)

79. It is of paramount importance that the Boards give greater attention to their financial management and enforce discipline so as to create confidence in the KVIC and the Banks. The first step is to appoint a competent person as Financial Adviser and Chief Accounts Officer, preferably from the appropriate cadre under the control of the State Accountants General and to give him a free hand to organise the accounts and audit set up, KVIC should continue the scheme for assisting the Boards in respect of financial management and expand it to include some essential supporting staff. It is desirable to adopt a tapering scale of assistance and lay down a matching contribution by State Government on a gradually increasing scale. Above all, KVIC should be firm, make further assistance to programmes conditional on compliance in this matter and enforce it strictly. (4.31)

80. Greater involvement of the Board in departmental activities of a commercial nature is likely to result in diversion of energy, money and time away from the main task of assisting

artisans in villages. KVIC should draw up a phased programme for withdrawing its support from the existing departmental operations of the State Boards so that at the end of three years or so these activities are managed by separate organisations; the exception being the servicing type of activities which act as mother units like pre-processing plants, soap base units etc. (4.32)

81. The scheme of financing individual artisans in scattered villages has placed the administrative resources of the State Boards under a great strain. We suggest that KVIC undertakes a sample study of individual artisans helped under the scheme in different States in collaboration with the concerned State Boards with a view to evaluating the benefits accruing to them and to evolving a suitable supervisory or monitoring system. Pending the study a post of village industries officer may be created at the block level to work under the supervision of District Village Industries Officer. (4.33)

82. Even in regard to co-operatives, all State Boards cannot be said to have acquired the necessary powers under the relevant law. In some States, the Chief Executive Officer of the Board and his subordinates are vested with the powers of the Registrar of Co-operative Societies in respect of Khadi and Village Industries Co-operatives. We would advise the remaining States to follow this example. (4.34)

83. The State Board has a delicate role to play in interpreting the KVIC to the State Government and vice-versa. It is necessary, therefore, for the Board to ensure that its relations between the State Government on the one hand and the KVIC on the other are harmonious and give no cause for complaint. The Boards could improve their relations by timely sharing of information with the KVIC through regular reports and returns, holding detailed discussions with the aided institutions on their annual budgets, fulfilling the terms and conditions of financial assistance prescribed by the KVIC and taking prompt action on the suggestions of the joint studies such as those referred to in para 4.9. The Boards, although constituted under the State Law, must view themselves as integral members of the national network under the leadership of KVIC which is entrusted with the difficult but noble task of creating non-farm employment for the village artisans and the weaker sections. (4.35)

CHAPTER V

84. The form of registered society is predominant in khadi, while the co-operative form is preferred for village industries. (5.2)

85. KVIC should actively persuade registered societies to diversify their activities. (5.4)

86. According to KVIC, it has covered 1.5 lakh villages out of 5.6 lakhs inhabited villages in the country. Properly speaking, a village can be said to have been covered only when a

substantial number, say 20 to 30 per cent of the artisans living therein are brought within the programme. KVIC should devise suitable methods to develop accurate data on coverage. (5.4)

87. We endorse the approach at KVIC in discouraging the continuance of giantsized institutions with jurisdiction over several States and persuading them to establish smaller institutions with the area of operation of each limited to a district or so and transfer their activities to the latter. It would be more fruitful to press the District Societies to prepare plans for covering all blocks within a time frame and to decide on the basis of such plans the necessity for organising separate societies for some or all blocks or even for smaller units. (5.6)

88. While the formation of separate organisations at the grass-root levels, may be described as a step in the right direction, such organisations need to be planned more meticulously and their operational problems have to be attended to more promptly if they are to make satisfactory progress. (5.8)

89. Some way has to be found to create promotion prospects for the workers of institutions by giving preferential eligibility in regard to some posts under the control of the State Boards and KVIC. Every attempt must be made to improve the economics of the operations. The societies will have to diversify their activities and adopt a market approach. (5.9)

90. For the purpose of attracting local workers, it is necessary to evolve a suitable pattern of assistance as part of the overall plan of action. Assistance should cover not only the capital requirements of the programme but also the cost of personnel needed to promote and supervise the implementation of the programme. (5.10)

91. The term "inter-locking" which is generally used in the context of the financial arrangements among companies in the industrial field cannot really be applied to the khadi sector. While the principle of a separate secretary for each society should be enforced, there is no harm if one is Chairman in more than one institution. (5.11)

92. The special characteristics of KVI sector can be taken care of, if KVIC makes judicious use of its influence and power as a financing agency and prescribed the relevant points as terms and conditions of financial assistance and enforcing compliance. By putting them as mandatory provisions in a statute, we are not likely to enhance the capacity to enforce them. What is required is timely monitoring and application of pressure for compliance with the prescribed conditions. (5.15)

93. Attention is drawn to section 25 of the Companies Act, 1956 which provides for registration of an association as company for promoting commerce, art, science, religion, charity or any other useful object, with the intention of prohibiting the payment of any dividend to its members and of applying its profits and other income exclusively in the promotion of its object. If for any reason, associations in the KVIC sector are unable to secure

registration under the Societies Registration Act, 1860 or the other comparable State Acts, they can take recourse to Section 25 of the Companies Act, 1956. (5.16)

94. Co-operatives can be broadly divided into two categories – producer's society and service society. The block level society should establish facilities for professional services in regard to raw materials, maintenance of equipment and marketing at the level of clusters of artisans or group of villages. It is not necessary to identify this level uniformly for all the blocks so as to correspond strictly with the general administrative grouping such as Nyay Panchayat. (5.18)

95. There is high rate of dormancy among the co-operatives. KVIC should examine carefully in consultation with the State Boards and the State Governments. (5.19)

96. The basic reasons for dormancy in co-operatives financed by the State Boards are weak financial base, limited membership, inadequate credit, non-availability of raw materials, inadequate marketing facilities, absence of trained personnel, vested interests, inadequate supervision and control. (5.20)

97. A quick survey in order to make sure that no society with reasonable prospects gets branded as non-viable simply on account of the length of dormancy should be undertaken. It should be followed by an identification survey with a view to their classification as viable, potentially viable and non-viable. (5.21)

98. KVIC should not hesitate to utilise the services of organisations set up by other developmental organisations and avoid unnecessary duplication in promoting new organisation. (5.25)

99. KVIC's assistance should not be made available to the individual entrepreneurs, who often tend to acquire the characteristics of middlemen. As regards the guilds of artisans, there is no need to promote a new law. KVIC may draw up model Memorandum and Articles of Association and guide groups of artisans to form guilds. (5.26)

100. It is worth noting that although a gram or village panchayat, a panchayat samiti, a municipality, a zilla parishad or any similar body established under any State law has been declared to an eligible borrower under KVIC Loan Rules, 1958, no financial assistance worth the name has been given to any of these bodies by the KVIC during all these years. In view of the history of the matter and the serious reservations entertained by the KVIC as well as the increasing politicisation of the Panchayat Raj bodies, while these bodies can play an important part in identifying the village industries to be promoted in their area, the artisans to be helped and promoting new or assisting the existing field organisations, they may not be given the responsibility for receiving funds from the KVIC or the State Boards or directly managing the production centres. The time has come to amend the KVIC Loan Rules to exclude these bodies from the class of eligible borrowers. (5.27)

CHAPTER VI

101. The list of financial items for which prior approval of the Government is necessary needs to be reviewed. (6.3)

102. The present practice of deducting the repayments due from working capital and subsidy sanctioned to the institutions is not conducive to the expansion of production or even for maintaining the previous level. Instances of cash repayments out of the surpluses earned are indeed rare. The Patterns Cell will do well to study this phenomenon in greater depth and provide the data for a thorough reconsideration of the ratio of loans and grants. As regards costs of construction, a system of review of costs at shorter intervals on regional basis should be evolved and the KVIC should authorise a small committee to go into these aspects at periodical intervals atleast once in a year and approve the modified rates. Studies in-depth will have to be undertaken for determining whether the fixed capital component has to be raised. Sometimes, facilities in the nature of infrastructure become essential if improved technology is to be introduced. (6.6)

103. The progress under village industries is, by and large, poor while khadi has been able to give a better account of the utilisation of bank credit. KVIC should give wide publicity to the NABARD's refinancing scheme among its institutions and persuade the lead banks in selected centres, to begin with, to include the credit requirements of KVI institutions in the District Credit Plans and Annual Action Plans. (6.8)

104. Recently, KVIC has approached the Government for extending the scheme to small individual entrepreneurs. KVIC should intensify this process further and draw a time-bound programme to cover all the major and medium institutions fully under the bank finance scheme by the end of the Seventh Plan. Such a programme should include purposeful dialogues between the selected institutions and the banks and orientation courses for the functionaries of the institutions in the banking documentation procedures. (6.9)

105. Thirteen steps are recommended for achieving the three desirable objectives of providing the implementing agencies with the needed funds at the right time, of inculcating financial discipline and of enabling the KVIC to devote more time to the important tasks of policy and development. These steps are based on a new financial procedure according to which the institutions proposed to be aided are sanctioned, on the basis of their past performance, fixed limits upto which they can draw from the approved banks for the purpose of working capital subject to the condition that they will submit quarterly statement in prescribed form to State Directors. The various steps mentioned in the report are expected to improve the supply of funds to institutions, while eliminating a lot of unnecessary work at the Head Office of KVIC. (6.13) (6.14)

106. The offices of the State Directors will have to be reorganised and strengthened for handling the new responsibilities. (6.15)

107. The successful implementation of the new procedure depends on the care, thoroughness and imagination with which the preparatory work is planned and completed. It would be worthwhile for the KVIC to offer financial assistance for a short period, say three years, to smaller institutions which are required to employ qualified staff for working the new streamlined procedures. A small group be formed with Chief Executive Officer/Financial Adviser to finalise the procedure. (6.16)

108. The Government should ensure that necessary funds are released to the KVIC immediately after the passing of Central Budget and at regular intervals during the course of the year. (6.17)

109. The Committee is struck by the fact that KVIC has no equity base or owned fund at all. KVIC's resources and lending operations should be restructured on the analogy of financial institutions and the reality recognised by providing a reasonable equity base and supplementing it with debt resources drawn either from Government or the banking sector on yearly basis. (6.18)

110. The KVIC is eligible to borrow on the security of its Khadi Fund and Village Industries Fund. But in practice, it has not used this power. KVIC should identify village industries which can generate enough margins to repay the interest on bank loans along with KVIC's service charge (discussed in para 6.21 et seq) and work out the extent of funds to be borrowed from banks to finance the said industries. Financial Adviser should also take up these matters with the banks as well as NABARD and evolve a borrowing policy that will gradually correct the present total dependence on budgetary allocations. (6.19)

111. KVI Development Fund be created by Statute by converting all the outstanding loan amount as on 31st March, 1987 into a Capital Grant and crediting it to the KVI Development Fund in KVIC's books. As this is meant to serve as the equity base of the KVIC, there is no advantage in keeping the said amount in two separate funds, one for Khadi and other for Village Industries. The amount earmarked for the Seventh Plan will continue to be sanctioned every year in accordance with the allocation in the Annual Plans. But in recognition of the principle that the KVIC should be encouraged to build up its own funds, it is suggested that 50 per cent of the amount now allocated by way of loans will be disbursed as capital grant to be added to the KVI Development Fund. The remaining 50 per cent may be given as a loan as at present, separately for khadi and village industries. The amounts paid to KVIC as per present procedure by way of grant (Both Plan and Non-Plan) for Khadi rebate, training, science and technology, publicity, marketing as well as subsidy in lieu of interest on future Government loans and for capital expenditure under khadi and village industries etc. should continue to be paid by Government to KVIC as hitherto. (6.20)

112. It must be emphasised that all other budgetary allocations will have to continue as at present, as the purpose of the above exercise is to build an equity base for the KVIC and to encourage it on the strength of the equity fund to borrow from banks and augment its resou-

nces for supporting an expanded programme. However, the committee has considered the proposal to make a change in the manner of meeting the establishment expenses of the KVIC. At present, Government makes a budgetary grant for the purpose. It also provides some amount towards giving House Building and other advances to the employees. These allocations have become necessary because the KVIC has no income of its own which can meet these charges. If one per cent is added as service charge as margin by KVIC on all the net loans (paid less refunded) disbursed by the KVIC (Rs. 64.93 crores in 1985-86), the total income on the volume of business in 1985-86 would have been Rs. 64.93 lakhs. This falls short of the establishment of Rs. 11.52 crores for that year. With the recent pay revision, the expenses are likely to go up further and increase the gap. Two possible approaches emerge from this discussion : (a) the KVIC should prune its expenditure carefully and manage within a given percentage or (b) the KVIC should expand its business to an appropriate level by augmenting its resource and streamlining its staff and officers. Prima facie, there is scope for both these exercises. While it is difficult to carry every one with the proposal to levy a margin, the balance of advantage lies in levying a small margin not exceeding 1 per cent there by putting the KVIC under pressure to streamline its organisation and inducing the implementing agencies to become conscious of costs and productivity. The Committee recommends that in the interests of a smooth changeover, Government should continue the present practice of funding the establishment expenses except to the extent of funds generated out of the service charges. (6.12)

113. The present practice of regulating the financial relations between the KVIC and the implementing agencies through statutory rules needs to be reviewed. (6.22)

114. It is desirable to combine the existing two audit wings and build up a competent audit team so as to reduce the number of visits the audit parties make to the institutions, and to make each visit more fruitful and complete. A clear set of guidelines should be evolved for the audit parties. (6.25)

115. A quick perusal of some 19-B cases has shown that had the KVIC been more prompt and timely in invoking Section 19-B initiating certain interim measures, it would have been possible to safeguard the assets from which the recoveries could be made. Some measures have been suggested for speeding up the recovery procedure. (6.26)

116. The procedure for write-off should be revised as suggested. (6.27)

CHAPTER VII

117. It is rather disquieting to note that the specific resources made for S & T have not only not been utilised but also diverted to other purposes. (7.5)

118. The main reason for under-utilisation was stated to be the time consumed to get the required land, buildings and staff. In other words, the planning of the programme and creation of infrastructure facilities left much to be desired. By and large, the role of S & T Directorate became peripheral. (7.6)

119. The withdrawal of the Department of Science and Technology from the programme in the Sixth Plan also has some adverse effects on the technological contents. The discontinuance of the Central Advisory Committee on S & T from 1982 made matters worse. None of the members of the KVIC had training or background to provide the necessary drive and leadership in the field of Science and Technology. No serious attempt was made to make good this deficiency as was done in earlier decades by associating the scientists with the work of the KVIC through ad hoc committees. KVIC even failed to follow up the report and implement the suggestions of the committee. (7.7)

120. The importance of S & T for the decentralised sector and for production by the masses has been emphasised once again by the Technology Policy Statement of January, 1983. The Seventh Plan carried the matter further by calling for technology, the transfer costs of which are reasonable enough for the tiny and small entrepreneurs to experiment with it and a delivery mechanism which is cost effective. (7.8)

121. In this connection, it is useful to recall the recommendations made by the Sub-group of the working group on R & D set up in connection with the KVI Seventh Plan. (7.9)

122. We endorse all the recommendations except the one regarding the establishment of a new Central Laboratory for R & D. KVIC should devote its resources and energy to revamping the existing institutions rather than to create a new Central Laboratory. In fact, Jamnalal Bajaj Central Research Institute, Wardha, originally conceived as a Central Laboratory has been in need of reorganisation for quite some time. Should the KVIC, however, conclude that new research facilities have to be developed for any particular industry or for a particular region on the ground that industry or region is not served adequately at present, the KVIC would do well to explore, as a first step, the possibility of entrusting an established research institute to undertake research with KVIC's aid. We believe that the KVIC should concentrate on developing a network of research institutions properly distributed among the regions of the country and entrusting them with the responsibility of studying the technical problems of village industries suitable for their respective regions. (7.10)

123. Nothing concrete was done for implementation of the recommendations of the Tilak Committee. We can only reiterate the relevance of the recommendations of Dr. B. D. Tilak Committee even today and urge for their early implementation with such modifications, as may be considered necessary in the present circumstances. (7.11)

124. Steps must, therefore, be taken to improve the physical facilities of JBCRI, Wardha immediately. It appears that the KVIC has indicated to Serva Seva Sangh in January, 1981 its intention to purchase the property. The KVIC should take all steps to expedite the purchase of the property, prepare a plan for the creation of new physical facilities and obtain the approval of the Government. (7.12)

125. The comprehensive plan for JBCRI, we have referred to above, should include the following items. (i) a permanent core staff of scientists with 10 divisions to look after 8 out of 20 industries. (ii) The Director of the Institute should be atleast of the rank of University Professor assisted by a local staff selection committee, (iii) The Institute should have a Research (Development & Design) Advisory Committee with a renowned Engineer/Scientist as Chairman and the Director as Secretary, (iv) The Director should be fully empowered to execute the programme under the guidance of the advisory Committee in which the concerned Industry Directors of the KVIC will be members. (7.13)

126. In the long run, it would be better if JBCRI is constituted as a separate registered society with its own governing body under the watchful eyes and patronage of KVIC. What is said here about organisational improvements in JBCRI applies mutatis mutandis to other research institutions under KVIC. (7.14)

127. A Central Advisory Committee on S & T be established under the Chairmanship of a member in the KVIC with S & T background. The Committee may have sub-committees for different industries which also will be composed of relevant experts. While sub-committees will be serviced by the different Industry Directors as convenor, the Central Committee will have the Director, S & T as the Convenor. The Directorate of S & T should be charged with the overall responsibility of implementing the entire S & T programmes under khadi and village industries. It should co-ordinate research and development programme either implemented departmentally or otherwise, monitor, supervise and undertake its critical evaluation. It should also keep liaison with other R & D organisations and disseminate information to the implementing agencies. (7.15)

128. The responsibility for identification of the problems of various industries in the field should rest with the concerned industry Directors who should present the problems to the sub-committee concerned with the industry. Common problems, if any, can be referred to the Central Advisory Committee direct for advice. The Central Committee will indicate the modus operandi for implementation of the project, the institutional infrastructure required, technical personnel necessary, approximate cost estimates, the man months required for its completion and the possible advantages of research projects etc. The Directorate of S & T should ensure that the comments of all concerned are obtained before the proposal is sent to the Central Committee for seeking its approval. (7.16)

129. Once the project is given for implementation, the responsibility of Director, S & T, is to observe the progress of the project, supervise and monitor subject to the guidance of the

Central Committee. The Directorate of S & T should organise seminars, workshops as well as Saranjam Sammelan from time to time which should be organised at short interval, say once in three years and in different parts of the country. (7.17)

130. We support the application of principles enunciated by the Secretary, Department of Science and Technology, in his letter No. DST/MS/1(45)/82 dated 14-11-1983 regarding flexible complementing scheme for scientific posts under which the scientists are considered for promotion to the next higher grade after a prescribed period of service on the basis of merit and ability, irrespective of occurrence of vacancy in the higher grade. (7.17)

131. There is an urgent need to develop new types of tools, equipment and machines. Similarly, arrangements will have to be made for their supply to the beneficiaries. For this purpose, KVIC may have to create new institutions or develop the existing ones for undertaking manufacture of new items. In certain cases, it can identify local manufacturers on regional basis. Once the manufacturers are identified, they should be linked with the research institutions concerned for guidance. At present, there is no linkage between the manufacturers on the one hand and research institutions on the other. (7.18)

132. We consider that KVIC should encourage persons, artisans in particular, who have conducted experiments on new equipments. They should be linked with research institutes for conducting field trials. The results of field trials should be evaluated carefully by KVIC with reference to productivity, financial implications etc. KVIC may, thereafter, take a decision about the adoption of that equipment. In any case every new tool, equipment or machine should be tested on pilot basis before it is adopted on a wide scale. (7.19)

133. The Rule No. 27(3)(h) framed under KVIC Act which provides that an individual or an institution engaged in research in KVI can be sanctioned a grant not exceeding Rs. 5,000 and Rs. 50,000 respectively in any one case and that the ceiling can be exceeded only with the prior approval of Government of India. The limit needs to be revised in the context of changed situations. We do not see any need for prior approval of the Government for such petty matters. All proposals recommended by the Central Committee on S and T should be invariably sanctioned by the KVIC. (7.20)

134. The new technology must be seen to be capable of producing marketable goods. Research must, therefore, pay attention not only to production process but also to the finish, packaging, quality and other marketing aspects of the products. (7.21)

CHAPTER VIII

135. During the last 12 years, some of the Directors either did not possess the required training background or did not last long enough to provide the necessary administrative leadership to the training programme. To add, there was no Standing Training Advisory

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Committee since March, 1977. No wonder, the programme lost its original focus and importance. (8.3)

136. To look after TRYSEM, a separate Directorate was formed in the Head Office of the KVIC. While this undoubtedly provided greater attention to TRYSEM, it accentuated the problem of co-ordination in the area of training. (8.5)

137. The story of KVIC's involvement in TRYSEM is not free from disquiet. As a result of hasty decisions in the beginning, the KVIC was constrained to change the locations and trades as well as to seek a revision on the scale of assistance. There are cases where construction is in progress but no funds are forthcoming on the ground that the Ministry of Rural Development has not been consulted before making the change in location etc. The Ministry of Industry should take up the matter at its level and find a final solution satisfactory to all concerned. (8.6)

138. A close look at the location of the training centres will lead one to the uncomfortable conclusion that they are largely concentrated in a few States, and that all regions of the country are not covered equally. (8.8)

139. In February, 1982, KVIC appointed a Working Group. The Group submitted its report in July, 1984. It is, however, disappointing to say that the KVIC has not initiated action on most of the recommendations. (8.11)

140. In its critical review, the Group stated that the total absence of manpower planning has been the greatest drawback in the entire training programme of the KVIC. (8.12)

141. The important recommendations of the Group were : (i) preparation of a seven year manpower plan, infrastructure facilities, including buildings, teaching aids and staff, setting up of one National Institute for training in KVI at Nasik with supporting Zonal Centres to be developed, compulsion for all KVIC staff to undergo the orientation course, strengthening of the Directorate of Training, raising of stipend suitably, revision of training syllabi etc. (8.13)

142. The main clause for the optimum utilisation of training capacity is the enhancement of the credibility of the courses through improvement of quality, overhaul of the syllabus, development of modern teaching aids and a scientific approach towards the development of the curriculum. (8.17)

143. The proper approach would be to equip the centres with the required facilities like buildings, teaching aids, tools, equipment, machine and library and above all competent teaching personnel. It must be ensured that all regions are adequately covered. The KVIC

approach would demand a comparison of the productivity of different kinds of equipment. It is desirable that the training courses, particularly for the artisans should consist of practical classes upto 75 per cent, theory being limited to 25 per cent. Further considering the nature of the industry the artisans have to be taught how to dismantle the machine, maintain it regularly and reassemble it. Training Centres must be close to production units and must be conceived as training-cum-production centres and adequate financial provision made for meeting the cost of materials wasted in the process. (8.17)

144. To bring KVI artisans within the contemplated technology transfer system, it is necessary to organise peripatetic demonstration squads who can visit the places where the artisans concerned are concentrated. (8.18)

145. Khadi Karyakarta Training Course requires a new approach. He being extension worker (Pracharak), Organiser (Sanchalak) and Technician (Tantrayak) rolled into one must have the ability to handle different industries and different types of activities. He should also become conversant with management and monitoring aspects. A comprehensive course for this group of functionaries should be designed which can be used for training supervisors of KVIC and State Khadi and Village Industries Boards also. (8.19)

146. The preparation of curricula and syllabi needs greater care, expertise and sophistication than have been brought to bear on the task hitherto. A committee of 5 to 7 (half of whom should be experts from outside) under the Chairmanship of a Member of the KVIC who has the necessary background as educationist or a trainer will consider curricula and approve them with such changes as is considered necessary. This committee should prove useful to build contacts between KVIC's training institutions and the established institutions like IITS, Community Polytechnic and the general training infrastructure of the country, including the composite Rural Training Centres, that are being planned at the district level. (8.20)

147. In-service training for all categories of staff of KVIC, State KVI Boards and implementing agencies in the field, should be part of the career development of a person. Formal training in refresher courses can, if necessary, be substituted in suitable cases by participation in workshops, seminars, symposia, demonstrations etc. In this context, full advantage should be taken of the courses offered by other organisations such as banks, co-operative training institute, Management Institutes, NISIET etc., particularly on subjects like development of entrepreneurship, feasibility studies, quality control, market research, salesmanship, financial management etc. (8.21)

148. The major portion of curriculum consist of practical classes, it is appropriate to draw the trainers from the ranks of those who have gathered sufficient experience in the actual production lines. This applies particularly to subjects which have large technical com-

ponent. To ensure that square pegs are not put in round hole, a system of selection can be introduced after calling for volunteers from those who have gathered practical experience. A special allowance must be attached to the training posts. This, in our view, will be a better answer to the problem of finding competent trainers with teaching aptitude than the device of organising a separate training cadre. However, we have no objection to some exceptions being made to the above rules in regard to some specific subjects. (8.22)

149. The imperatives of trainees' training and in-service training of high standard, cannot be adequately met, unless the Central Training Institute at Nasik is upgarded and expanded according to a well-thought out plan. The Nasik Institute, as originally conceived, was to grow into an Academy of KVI comparable to the National Academy of Administration, Mussorie and the National Defence College, Khadakvasla. It is necessary to revive this concept and make Nasik a premier centre for training. KVIC should prepare a feasibility report for true National Academy of Research and Training in Village Industries at Nasik. (8.23)

150. The Directorate of Training should be strengthened and put in overall charge of policy planning, co-ordination, supervision and monitoring of all training undertaken under the auspices of the KVIC. While training centres specialising in one industry only and under the management of implementing agencies may continue to be under the purview of the Industry Directorate concerned, a different approach may be followed in respect of centres providing training in more than one industry and being managed departmentally. In deciding these questions it is necessary to bear in mind the need for encouraging centres to expand the coverage of the industries particularly some of the new centres will have to be promoted in accordance with the new definition. It appears desirable that all the departmentally managed centres which cater to more than one industry do come under the control of the Directorate of Training. Even if the centres are not transferred to the jurisdiction of the Directorate, it should be made clear that the Directorate should get periodical reports so that it can review the total situation and present an overall picture to the KVIC. (8.24)

151. For organising and implementing the artisans training programmes, local committees consisting of the representatives of field institutions and State Boards may be constituted. (8.25)

152. A standing Advisory Committee on Training should be set up by the KVIC to advise it on all matters relating to training. It should consist of representatives from Ministries of Labour, Human Resources Development (Technical Education) and Rural Development, Indian Council of Agricultural Research (ICAR), Council of Scientific and Industrial Research (CSIR) and CART. In addition, four or five principals of reputed training institutes or specialists in training methods should also be members of the committee. The Chairman of the KVIC will preside over the committee, while the Deputy Chief Executive Officer who is in overall charge of Directorate of Training will function as Convenor. (8.26)

153. The KVI should be introduced in the vocational education programme, so that the relevant crafts can be taught and practised from early stages by children in the age group of 10 plus. To organise this programme, KVIC should set up a vocational training cell in the Directorate of Training of the KVIC. The progress of vocational training should be monitored by the Training Advisory Committee. (8.27)

CHAPTER IX

154. The Directorate of Marketing is in no position to devote attention to Marketing Policy and Planning or for that matter any work other than of a routine nature. (9.3)

155. It would be correct to describe the activities of KVIC as sales-oriented rather than marketing oriented. This has happened, despite the caution and advice given from time to time by experts engaged by itself. (9.9)

156. It is clear that although several expert groups before us had presented detailed blueprints for re-organising and strengthening the marketing set up of KVIC, neither the Government nor the KVIC had been able to take the necessary basic decisions. (9.19)

157. It is essential to set up a nodal agency under the KVIC for the performance of all the marketing tasks. As the previous attempts to make suitable adjustments within the present administrative set up have failed, it would be advisable to make a clean break and create a separate corporation under the aegis of KVIC. This could take the form of a statutory corporation or a company under the Companies Act. As the success of the corporation will depend greatly on the leadership to be provided by the Managing Director, it should be ensured that he has the necessary ability, experience and qualification in marketing by offering attractive terms. To facilitate co-ordination, the Chairman, KVIC may be made the Chairman of the Corporation and the Managing Director of the Corporation as Member of the KVIC. The Board of Directors of the Corporation may consist of Five others, bringing up the total to 7. The five may include the Chief Executive Officer, KVIC, three representatives of the KVI organisations running the Bhavans and Bhandars and one Marketing Expert from a reputed academic organisation. (9.20)

158. The functions of the Corporation will be : (i) to organise market research; (ii) to supply market intelligence to all selling and producing organisations in the KVI sector; (iii) to set up infrastructural facilities for sales outlets; (iv) to manage sales outlets at selected important centres; (v) to establish and manage common facilities for processing and finishing wherever necessary; (vi) to prepare marketing plans; (vii) to arrange supply of raw materials in accordance with the marketing plans; (viii) to establish standards of quality and enforce compliance therewith and (ix) to take all steps necessary for promoting exports of KVI products. (9.21)

159. The Corporation must be suitably funded for carrying out its functions. To start with, it may have a capital of Rs. 10 crores for investment in the physical facilities that are essential. It should be possible for the Corporation to plan its working capital needs from the banks. We have been given to understand that the Corporation's scheme to assist the dispersed rural artisans in upgrading their products and in marketing them will be favourably viewed by friendly foreign Governments for bilateral aid under the broad heading "Rural Development". This avenue deserves to be explored, once the basic decisions on the marketing set up are taken. (9.22)

160. To begin with, the Corporation will have three departments — Commercial Operations, Marketing Services and Marketing Planning. (9.23)

161. One of the first steps to be taken by the Corporation is to organise the market information system. It would be worthwhile to engage an expert to draw up the details in the light of the latest developments. (9.24)

162. The importance of Market Research cannot be over-emphasised. A systematic survey should be conducted, with a view to discovering the characteristics of the present patrons and their expectations as well as the points that will attract new consumers. The readymade garments of cotton khadi which have already captured the imagination of the customers have a bright future. This segment of the market can be expanded, if reliable information is available about consumer attitudes while organising market research. In the case of village industries products, research cells should be at the State level, so that they can pay adequate attention to the peculiarities of the different industries and the artisans engaged in them. (9.25)

163. The Corporation should draw up a time-bound programme, to ensure opening of sales outlets in all urban centres and all villages with a population of 2,000 and above. It may directly manage the outlets in the metropolitan cities and other important centres. As regards the remaining, the aim should be to entrust the management to local institutions, as far possible. For this purpose, the KVIC and the Corporation should encourage producing institutions to form federations at the State level and provide common services, including marketing. There is great scope for experimenting with the terms on which such agencies can be granted. Considering the exorbitant costs involved in acquiring shopping space in urban centres, it is advisable to try the mobile outlet scheme. Tricycles are useful and may be tried. (9.26)

164. The Corporation should minimise its role in physical handling of goods. It should be possible for the Corporation to provide the necessary information of stocks at different places in the country and facilitate the establishment of direct contacts between different organisations managing the outlets. (9.27)

165. In regard to cotton khadi and other goods which are in need of processing (such as dyeing, printing, finishing etc.), the Corporation may also set up and manage such common facilities for the use of producers or the sales outlets in the area. The old scheme of Vastragars should be revived, after making suitable modifications. A Vastragar is not a mere store of goods or even the manager of certain physical facilities, but a centre of market intelligence. Considering that nearly 75 per cent of cotton khadi is now being sold in the form of printed, dyed and fabricated products in some Bhavans, the Vastragars are bound to play a very important role. In the case of village industries also a similar organisation should be evolved for post-production processing, wherever necessary. Adequate margins, say 4 per cent for Central Vastragars at State level and 3 per cent for regional Vastragars must be provided. (9.28)

166. As regards readymade garments, the Corporation may take the initiative in supplying designs and appropriate advice, leaving the actual tailoring and the procurement of materials to the outlets concerned. This is an area which has a vast scope for development. (9.29)

167. The Corporation should bring the Managers of the outlets and the producing institutions together atleast once a year, say in June, so that the producers will come to know the consumer preference in time and plan their production accordingly. If necessary, such conferences may be arranged twice in a year. (9.30)

168. As one of the main difficulties of the artisans employed in village industries related to supply of raw materials, the Corporation should undertake a programme for ensuring adequate and timely supply. Past experience of KVIC should be carefully evaluated before embarking on a new scheme for procurement and storage of raw materials. The concept of Village Industries Supply Development Centre prima facie appears to be attractive. It is worthwhile to try it out in some Districts on a pilot basis. (9.31)

169. At present, KVIC operates a cotton supply scheme and a Merino wool import scheme. It is logical to transfer these schemes to the Corporation. Similar action is called for in the case of mother units for processing cotton and supplying slivers to spinners and scap base to soap workers. (9.32)

170. There should be no objection to the KVIC sales outlets dealing in non-competitive non-KVI goods. Care may be taken to study the implications of this step in regard to liability under income tax and sales-tax laws, before actual implementation. As stocking involved working capital and concessional financial assistance, a list of these goods may be drawn up and kept under constant review. (9.33)

171. On the pricing policy of KVI goods, there is no particular merit in strictly adhering to the cost plus formula, and in refraining from fixing prices in accordance with the principle

of what the traffic can bear. The sales outlets must be enabled to adopt a rational pricing policy product-wise and take resort to pooling, if necessary. It should not be beyond the ingenuity of the Corporation to evolve a system by which surpluses generated as a result of the adoption of the principle, 'what the traffic can bear', are shared by the sales outlets on the one hand and the producing institutions which have supplied the goods on the other. This may be tried on selective basis. (9.34)

172. While sale of khadi products should continue to confine to recognised outlets in view of the need to ensure purity of the product and to avoid mal-practices in regard to rebates, there should be no objection to allowing the normal trade channels to deal in the products of village industries. Further, some khadi readymade garments may be released for sale through selected trade channels on an experimental basis, after taking adequate steps in regard to brand name, logo etc. It is not difficult to find a suitable procedure for avoiding abuse of the rebate provision. Some other khadi products may also be thrown open in due course, after gaining some experience. Further, the outlets of similar organisations like Handloom Co-operatives, General Co-operative Stores and the public distribution system may be permitted to sell KVI goods. (9.35)

173. The new Corporation should think in terms of utilising the existing channels, irrespective of the nature of their ownership, provided suitable commercial terms can be settled. As the village industries products present a wide variety, it will not be correct for the Corporation to think of undertaking their marketing entirely through its own channels. Different marketing strategies have to be evolved for different products of village industries (9.36)

174. The Corporation has to organise training in salesmanship and display (interior as well as window). The second kind of training has not received much attention so far. The existing training courses for salesman have to be revamped so that all salesmen are put through a refresher course of a short duration of three months in the major emporia. (9.37)

175. Sales promotion, through well-planned publicity, holding of exhibitions and special campaigns is an area in which a great deal remains to be done. It is essential that a certain percentage is earmarked for this purpose. Exhibitions have to be held at different levels District, State and All India. It is desirable to locate exhibition units at the State level, instead of concentrating them at the level of the KVIC. The Exhibition wing will have to be equipped not only with the usual kits but also audio-visual material, particularly relating to important activities of the institutions which have successfully implemented the programme. There is scope for holding small exhibition-cum-sales in selected industrial establishments, educational institutions and in local fairs and festivals. Suitable grants will have to be made available to the registered institutions or other agencies that are entrusted with the task of holding these exhibitions. (9.38)

176. Rebate on sales is an important sales promotion device. (9.39)

177. As regards establishment of standards of quality, the arrangement for testing are not satisfactory. There is no statistical quality control system worth the name. Very little work has been done in respect of packaging which in several cases would be the best method of ensuring faithfully that the declared quality has been presented. It is no doubt, true that quality control is a complex subject and it has become even more complex for KVIC due to the facts that the number of products is large, their production is dispersed widely in the country among small units with few resources and the cost of enforcement per unit of product is often prohibitive. It is against this background that the KVIC and the Marketing Organisation will have to examine afresh how to create and maintain the reputation that the sales outlets recognised by the KVIC do in fact, offer goods of quality. (9.40)

178. The first step is, of course, to lay down standards which are verifiable. For this purpose, it should adopt comparable standards, if any, laid down by other organisations like ISI and AGMARK. Stages of caution to be observed in the production process, drawing of samples for testing and the utility of maintaining the testing equipment etc., are some of the points on which emphasis has to be laid during the training of the artisans and the Managers to ensure that at the time of procurement for sale in the departmental or certified outlets, samples are drawn regularly and got tested in recognised laboratories. The Central Testing Laboratory at Nasik and the Regional Laboratories that KVIC set up should be carefully reviewed for the adequacy of their facilities and procedures. The need is for introducing the system under which failures to adhere to the standards should be invariably followed by penalties. At any rate, the Corporation to be set up by the KVIC should set an example by not accepting for sale in its outlets any items which fail to pass the standard tests. Such firm action will send proper signals to all persons and will trigger greater awareness and respect for quality. (9.41)

179. There were 137 trading units in 1985-86, 28 of them having been classified as dead. When the Marketing Corporation comes into being, it will be logical to transfer the relevant activity to it. But before doing so, it is desirable to take appropriate decisions about the continuance of each of these units. No unit that has no justification for continuance should be transferred to the Corporation. Further, the earlier the so-called dead units are closed, the better for KVIC. (9.42)

CHAPTER X

180. The present information system of KVIC has been built up mainly for the purpose of fulfilling its basic obligations as a statutory body. The Committee has tried to explore the possibilities of improving the system and filling the gaps, particularly in the context of the new definition of village industries and the expanded role envisaged for KVIC. (10.1)

181. The primary information which emanates from the field — institutions at grass root level — is compiled after scrutiny at more than one stage. (10.2)

182. For collection of data in the case of institutions and co-operatives, full count basis is adopted whereas in the case of individuals a random sample of 10 to 20 per cent is taken. KVIC has standardised the proformae and kept them as simple as possible. Training has been intensified and joint inspections undertaken alongwith the State Board on a selective basis. (10.3)

183. The deficiencies pointed out by the Working Group on KVI (1984) are :

- (i) data received from State Boards are incomplete;
- (ii) information in some cases is received too late;
- (iii) there is no data on the precise nature or type of labour input;
- (iv) information available is confined to units assisted by KVIC and size of universe is unknown; and
- (v) very little information is available about contribution by individual artisans. Assisted units stop reporting once further assistance is stopped. (10.4)

184. As directed by the Public Accounts Committee of Parliament (7th Lok Sabha) in 21 States and 2 Union Territories, Monitoring Boards have been set up. There is considerable scope for making them more effective instruments. (10.5)

185. An internal study group recommended a model in which the industries, including khadi are selected in different States on the basis of the contribution to the levels of 75 to 80 per cent in all India performance. (10.6)

186. At some stage, sampling techniques may have to be adopted and this can be on the basis of A B C formula which is largely followed for such diverse type of respondents. (10.7)

187. Controlling tools of sales rebate, financial concessions, purchase preference, provision of additional finance should be used effectively and further release of finance and other concessions should be linked with furnishing of required information. (10.8)

188. We suggest that while primary information should be collected from a single point, the first stage of compilation should also be concentrated at one point. The responsibility can be entrusted to either DRDAs or DICs. We understand that Ministry of Rural Development has taken up a major project in the Seventh Plan with a total outlay of Rs. 10 crores to streamline the rural information system. The Government may look into the matter for evolving suitable arrangement at the grass root level for collection of information about KVI Sector through the CRISP. (10.9)

189 While interpreting the available statistics, we have to bear in mind several limitations and peculiarities inherent in KVI sector. (10.10)

190 The Standing Committee set up in the Planning Commission to suggest improvement in the data base for decentralised sector has recommended that supporting organisations should cross-check the data available with them in terms of number of units, location etc. with the data flowing from the Economic Census 1980. Supporting organisations are also required to supplement the efforts of CSO, NSSO by additional sample surveys for generating data at the final level of geographical and sectoral disaggregation. (10.12)

191 We support these recommendations and we would like the KVIC to process the KVI data from Economic Census and make it available through its publications to all concerned. The KVIC should also pursue with the central data collecting agencies to include in their schedules certain basic items that relate to rural artisan population. Further, KVIC should conduct or provide financial assistance to conduct sample surveys at periodic intervals. (10.13)

192 KVIC commissioned a Professor of IIT, Bombay to prepare a feasibility report on computerising the information system. KVIC accepted the report and decided that further necessary steps might be taken for computerisation of KVIC's financial transactions and statistical information in accounts, internal audit, budget and Economic Research Directorate. Action has been initiated in the accounts department. We hope that the matter will be pursued according to plan. (10.14)

193. KVIC will have to live with the above said difficulties and deficiencies for quite some time and has to organise its monitoring work. It should devote greater attention to special studies of institutions. If KVIC is to discharge its duties under the new definition of Village Industries, it has to devise new monitoring tools and performance indicators while making the best use of the available data sources and manpower. (10.15)

CHAPTER XI

194. The scheme of delegation of powers may be reviewed after three years in the light of experience gained by all concerned. (11.2)

195. There are no scientific norms in opening of sub-offices. As regards technical staff to be attached to the State Offices, it is desirable to lay down norms and declare sanctioned strength to avoid mis-understanding and to promote morale and credibility. (11.3)

196. The number of vacancies that have remained unfilled will give anyone some cause for concern. In future, the ban on filling up the vacant posts should not be applied to KVIC. (11.5)

197. Now there is no Directorate which can supply information on the entire KVI Sector in an area or progress achieved in the sector by an institution, State Board or other beneficiary. One has to rely on the Directorate of Economic Research, which in turn, has to involve several Directorates and take up a major exercise in co-ordination. (11.6)

198. The allocation of work in the Central Office should be restructured on a regionwise basis instead of on the basis of industries. At the same time, it is necessary to ensure that the technical personnel with knowledge and experience of different industries and different disciplines have to play an important part in the central office. In other words, while the planning, financing and monitoring of the programmes are arranged on the territorial principle, the technical advice, guidance, assistance and supervision should be on the basis of technical disciplines relevant to the industries. Suitable administrative devices must be employed to ensure close consultation and interaction between the territorial directorates and technical teams. (11.7)

199. It is necessary to set up a separate O and M wing for continuously reviewing procedure and work methods in vogue and suggesting improvements from time to time. Regular inspections at periodic intervals must be held. (11.8)

200. The Study Team has made some useful suggestions regarding O and M and of the monitoring which should be vigorously pursued. (11.9)

201. Restructuring of work in the Central Office, demarcation of managerial and technical duties and the creation of separate cadres and appropriate channels of promotion appear to be essential for maintaining the morale of the officers. It is essential to have a close co-ordination between the technical and managerial staff available with the State Directors of KVIC and State KVI Board. The time has come to classify the technical personnel on the basis of their technical and scientific disciplines and not on the basis of an industry. It may be appreciated that one technical discipline may be common to more than one industry. Keeping these principles in view, it should be possible for the KVIC to make suitable changes in its cadre system. (11.11)

202. While more than one cadre will have to be maintained above the rank of Dy. Directors, even after the proposed re-organisation an option may be given at the time of promotion to a technical officer to continue on the technical side or prefer to go over to the general side. Directors with a minimum experience of five years in that post are now eligible to be considered for the post of Dy. Chief Executive Officer except Dy. Chief Executive Officer (Marketing). This needs no change. However, as regards the practice of treating each Dy. Chief Executive Officer as an unique post and preparing specific panels for each, needs to be reviewed. While there will be no objection to classify the Dy. Chief Executive Officer's posts as selection post as contrasted from the promotion posts, pure and simple, it appears

advisable to make all Directors eligible for consideration. Selection and posting will naturally have to take into account suitability of each individual for the vacancy in question. (11.12)

203. There is a case for creating one post of Joint or Additional Chief Executive Officer to help the Chief Executive Officer in carrying out the supervising duties over the vast organisation spread all over the country. This post will be particularly useful when the Chief Executive Officer's post falls vacant and remains unfilled for long periods for various reasons. The present practice of asking the Financial Adviser to hold additional charge of the Chief Executive Officer's post is not a very happy arrangement as it causes undue dislocation in the conduct of financial functions. The new post will have the additional merit of providing one top management position next only to Chief Executive Officer to the officers of the KVIC and of boosting their morale. (11.13)

204. Vacancies of Superintendent to be filled against selection quota are not thrown open to all the employees with the prescribed minimum qualification and experience, as in other cases, but only to the seniormost Upper Division Clerks in the G.A. cadre. One suggestion made to meet the objections is to create an intermediary post and provide promotion prospects to the junior and meritorious employees. (11.15)

205. It would be necessary to restrict direct recruitments at the level of L.D.C.s/U.D.C.s and equivalent posts on the non-gazetted side and the level of Asstt. Directors and equivalent post on the gazetted side. It appears desirable that at the level of Superintendents and Directors, the KVIC should have persons who are fully conversant with the working and ethos of the organisation. The KVIC will, of course, be free to recruit direct from the market, should it become necessary on a careful assessment of the available personnel that duties and functions of certain posts require qualifications and experience not available among the KVIC's personnel. The KVIC should appoint one outside member on the selection committee for selection of posts in KVIC. (11.16)

206. All decisions contrary to the Services Boards recommendations should be prominently reported in the Annual Administration Report. It will be advisable not to appoint former officers of the KVIC as Chairman or Member of the Board. (11.17)

207. KVIC should draft a transfer policy statement ready on the lines indicated by the Committee and make it known to all its employees. (11.18)

208. The KVIC's success in implementing a rational transfer policy as envisaged will depend on its capacity to provide minimum facilities such as staff quarters for the employees and the education of their children. (11.19)

209. The study team on O & M has also underscored the necessity of orienting the key personnel in the ministerial grades in the processes of O & M. KVIC will have to take

suitable steps in this regard. It should revive the old practice of departmental tests as essential ingredients of the promotion process in order to induce proper attitudes and motivation in staff to take full advantage of the training facilities. (11.20)

210. As regards other service conditions, such as leave, pension, provident fund, gratuity etc. KVIC has been following the scales, rates and practices that are applicable to the Central Government employees in similar grades. Whenever there is a change in the rates fixed by the Government of India for its own employees, the KVIC has to approach Government of India for making such change applicable for its own employees. If prior sanction of the Government is absolutely necessary for such revisions, the amendments should specifically indicate that the benefit of such revision would be made available to the employees of the KVIC from the same date w.e.f. which such revisions were made applicable to the employees of the Government of India. However, a still better alternative would be to make such revision applicable to the employees of the KVIC from the same date from which they are made applicable to the employees of the Government of India, without any need for approaching the Government for amending the regulations. (11.21)

211. The question of restructuring and strengthening each State Board should be left to the Committee consisting of representatives of the KVIC and that of the concerned State Board. This committee will review the administrative, financial and technical staff structure of each State Board and give its recommendations. The Committee will also examine the recruitment procedure and suggest ways of filling up gaps in the technical and administrative set up of the Boards. They will also take into consideration the technical staff that exists in each of the KVIC's State Offices and see that they are fully utilised. It should be possible to use the services of these experienced personnel of the KVIC at different levels in the State Offices or in the State Boards. (11.23)

212. It would be in the interest of the programme if some of the experienced khadi staff from the KVIC are deputed to work in the State Boards. In addition, the State Boards may select a few technical staff for khadi work and depute them for a reorientation in the training centres of the KVIC. (11.24)

213. The important technical personnel in the State Boards should periodically be sent for higher training and their promotion should be made conditional to their passing the higher technical courses. (11.25)

CHAPTER XII

214. The main features of khadi industry are :

- (a) it accounts for about one per cent of the total production of woven cloth;

- (b) predominance of cotton khadi in total khadi production;
- (c) spinning and weaving capacity not evenly balanced;
- (d) change in the character of employment with increase in full time employment;
- (e) preference for a workshed type organisation; and
- (f) changes in the market preference. (12.1)

215. The declaration made by the Government in respect of khadi in the Textile Policy (June 1985) does not specify measures of encouragement or the actual steps to be taken. (12.3)

216. There is need for adopting the most modern technology in the preparation of slivers and rovings which will have the twin advantage of improving the quality of cotton yarn and reducing the cost of production. (12.5)

217. There is no point in patronising discarded scutchers and cards. The benefit of the most advanced technology should be availed of. (12.7)

218. It should be more advantageous and economical to obtain readymade slivers from co-operative or nationalised spinning mills. KVIC should evolve a suitable policy to help implementing agencies to tide over the costs and other problems of obsolescence, wherever it introduces a new technology. (12.8)

219. The rovings produced from simplex may be adopted as these are always uniform from the point of view of twist and right winding on to the bobbins. (12.9)

220. KVIC should have focussed its attention on the development of appropriate technology for the production of coarse counts of yarn. Every effort should be made to improve productivity in this field. (12.11)

221. It would be advisable to go in for the mill technology both in sizing and drying for preparing long warps which can be attached to both the ordinary improved looms and the semi-automatic Nepali loom. Experiments have to be carried out initially by getting warps prepared in some mills. After standardising the process KVIC, can develop its own centralised units for warp preparation. (12.14)

222. It should be examined whether by having a suitable attachment to the six and twelve spindle charkhas, bobbins and pirns can be prepared. (12.15)

223. Efforts of KVIC to popularise improved looms have not been on a high key and the success stories have been few and far between. KVIC may continue to provide training on improved looms for persons who do not belong to the traditional handloom family. (12.16)

224. KVIC should introduce Jacquard loom with the accessories for preparation of designs. There is great need for co-ordination between khadi institutions on the one hand and the Handloom Servicing and Design Centres maintained by the Handloom Development Organisations, of the Central and State Governments. KVIC will do well to evolve in consultation with these organisations, suitable arrangements, under which khadi institutions can take the help of the Servicing Centres. (12.17)

225. The KVIC should intervene with a view to ensuring that adequate and proper post-weaving processing facilities are established in the sector or atleast an optimum plan is drawn up for transportation by linking production units in different parts of the country with the nearest processing units of the public or private sector through rate contracts. (12.18)

226. The price of handspun yarn be equalised with that of comparable mill-made yarn by means of a subsidy. The actual quantum may be fixed after a careful study of the comparative costs. (12.21)

227. The idea of making handspun yarn easily acceptable to the handloom weavers has been engaging the attention of the KVIC for long time. The Ministry of Industry should take initiative in setting up the group. KVIC should identify those institutions which are in a position to produce handspun yarn which would be acceptable to the handloom weavers. The group should prepare proper blue-print by undertaking experiments on pilot basis for identifying suitable varieties for manufacture of mixed fabrics and prepare a plan of action for linkages for handspun yarn with the handloom sector. (12.24)

228. As regards spinning on powerised charkha, the efforts so far have been in a haphazard manner. It is, therefore, necessary for KVIC to set up some units on pilot basis to undertake rigorous techno-economic feasibility study. The Ministry of Industry should monitor it and ensure that results are forthcoming. (12.25)

229. The problem is that the raw wool which is available in Rajasthan, is spun by the traditional method. There is need to adopt better pre-spinning techniques as in cotton khadi. (12.27)

230. To solve the problem of raw materials viz. wool, KVIC should pursue with the State Animal Husbandry Departments to include sheep rearing as their programme. (12.28)

231. It is necessary to take up this programme vigorously (spinning on 4 spindle charkha) and increase the supply and distribution of charkhas on a systematic basis. (12.29)

232. For sound development of silk khadi industry in the country, composite type of units alone should be set up and certificate be issued only on the basis of viability. (12.36)

233. In view of the above facts and other reasons, we think that a stage has come to consider the justification for continuance of mulberry silk khadi (reeled) as one of the activities of the KVIC. As regards Endi, Muga and Tussar, we would affirm that KVIC should continue to take interest as the persons employed in these activities invariably belong to weaker sections and backward areas. According to us, the real area of KVIC's attention is spun silk variety. (12.38)

234. Our comments on processing of cotton khadi are equally applicable to silk khadi. (12.39)

CHAPTER XIII

235. KVIC's general policy should be to encourage the different village industries to form federations of their own wherever possible to meet them periodically to give them a sense of participation in policy making through consultations and to publicise its efforts to solve their problems. (13.3)

236. The redefined village industries may be classified under six broad heads viz. :

- (i) industries based on post-harvest technology e.g. PCPI, ghani oil, palmgur, gur khandsari, fruit processing, condiments and curry powders etc.,
- (ii) other farm associated activities like beekeeping, fertiliser mixing, poultry and cattle feed making, social forestry, seed treatment plants etc.,
- (iii) crafts supplying products and services necessary for village life e.g. maintenance of hand pumps, repair of sprayers, tractors, charkhas, handlooms and other village industry equipment;
- (iv) construction activities;
- (v) non-renewable energy schemes e.g. bio-gas, and
- (vi) manufacture of new consumer products.

Some examples of the specific problems relating to village industries and the possible measures that may be adopted for solving them have been suggested. (13.5)

237. It was suggested that in view of the growing preference for the chemical based detergent material, particularly in conditions of hard water, KVIC should undertake the study of detergent preparations to examine whether a combination of oil based soap and detergent

materials is possible. KVIC may employ consultants for products like cleaning powder, tooth paste, tooth brush, polishing creams etc. and evolve suitable schemes which can be taken up in the country-side. (13.16 and 13.17)

238. Attempts will have to be made continuously to adopt the technology suitable for each area and to upgrade it gradually over a period of time. While stress should initially be on utilising the existing skills to the extent possible attempts must be made to create new skills. KVIC and SKVIBs have to play an important role in this regard. Something on the model of Small Industries Services Institute will have to be worked out. To begin with, this may be done on regional basis and as the work grows separate institute may be planned for each State. In the initial stages, it will be worthwhile for KVIC and SKVIBs to co-ordinate with the Small Industries Development Organisation. (13.19)

239. The recommendations made by the Tata Economic Consultancy Services on bee-keeping and honey marketing and main conclusions of the national seminar on Handmade Paper organised by National Institute of Small Industries Extension Training (NISIET), Hyderabad will have to be examined by KVIC expeditiously for initiating suitable action by itself or for moving the appropriate authorities. The problems of village industries have to be attacked on a wide front. The search for solutions would involve technological innovations, organisational improvements, expanded training, new measures for financial support and marketing initiatives. (13.22 & 13.23)

CHAPTER XIV

240. The recent change in the definition of small scale industries without any regard to ICOR (Incremental Capital Output Ratio) or location or employment component has worked to the disadvantage of the KVI sector. The time has come to distinguish village industries from small scale industries, instead of grouping them together in one sector, VSI and to devise measures of support for each of them on a differential basis, providing a weightage in favour of the village industries. (14.4)

241. Although khadi and village industries fall in the category of small industries, the benefits meant for small industries do not flow because of the departmental arrangements. Any unit certified by the KVIC/SKVIB should be entitled to receive benefits which are meant for small industries from the Directorate of Industries. (14.5)

242. Support policies may be divided into two broad categories, positive and protective. The main items of the positive category are maintenance of the KVIC set up, special assistance for research and development of appropriate technology, provision of public funds at a low rate of interest or free of interest, subsidies towards interest, transport costs and selected overheads, rebates on sale of khadi and preferential treatment in regard to raw materials

and Government purchases. In the protective class fall items like reservation of some articles for the sector, common production programme, differential taxation and exemptions from certain laws. Preferences in price and purchase which were discriminatory are sometimes classified as protective rather than as positive. (14.6)

243. In regard to supply of public funds at a low rate of interest or free of interest, some have argued that interest being an inevitable cost and an economic device to judge the cost effectiveness of alternatives, it will be in the public interest to charge the full rate of interest in the first instance and, if necessary, provide subsidy separately for reducing the burden of interest on the given activity to the extent desirable. Although, the theoretical soundness of this view cannot be denied, the Committee does not recommend its adoption in the present circumstances. (14.7)

244. A sub-ceiling should be fixed for KVI in the priority sector. Otherwise KVI sector will not get its legitimate share of bank credit. A specific provision in the District Credit Plan for KVI activities will remove practical difficulties in the way of eligible beneficiaries availing bank credit and may eventually lead to a better flow of credit. As regards bank charges, KVIG may work out the full implications arising out of the imposition of the bank charges on its activities and approach the Ministry of Industry with a request to take up the matter with the Finance Ministry and in case the Finance Ministry expresses its inability to agree for restoration of the original position, the Government may sanction suitable subsidy. (14.9)

245. Where village industries are to be developed in remote and inaccessible areas, especially tribal areas to which some crucial raw materials have to be carried over long distance the transport subsidy scheme may be extended to these areas also. (14.11)

246. Considering that the production of khadi goes on throughout the year and the sales are concentrated during three or four months from October, thereby leading to heavy carrying costs, it is difficult to envisage promotion of khadi without the aid of rebate. Its continuation is recommended. It is further suggested that rebate be adjusted to meet the needs of the situation from time to time. The period of special rebate should be enhanced to 120 days and the institutions should have freedom of splitting the same atleast three times in a year to meet the situation. The State Governments are requested to remove the present uncertainties about their rebate and to announce their decision well before the season and the reimbursement of rebate claims should be cleared expeditiously. They will be well advised to adopt a long term policy so that the marketing operations can be carried out smoothly. For the special rebate, KVIG is required to approach the Central Government every year with fresh justification for sanction of special rebate. There is no need for this annual ritual and it is recommended that there should be a standing arrangement in regard to sanction of special rebate. (14.12)

247. The practice in several States is that unless the unit is registered with the Directorate of Industries, it is not entitled to concessional supply of power, facility for workshops and other infrastructural support, supply of raw materials at concessional terms etc. The State Khadi and Village Industries Board may be declared as the registering authority for all these purposes in the case of village industries sector. The Ministry of Industry at the Centre should be able to sort out this problem in the same manner as in the case of transport subsidy. (14.13)

248. As regards, preference, there is need for vigilance on the part of the KVIC and empathy on the part of the DGS & D and the authorities of the Defence Ministry. KVIC will do well to press this view point in every forum and to pursue the possibility of getting a reasonable share of all Government purchases of articles that can be generated in KVI Sector. (14.15)

249. The Ministry of Industry should impress upon the other State Governments to adopt similar purchase preference policies as followed in Gujarat and Tamilnadu. While Government cannot be expected to ignore the change in the consumer tastes and employees attitudes, it can reasonably be expected to consult KVIC, when specifications are changed as in the case of barrack blankets or new articles introduced in the case of blended fabrics and to give it time to adjust its production process if possible. It is also necessary that, as far as possible, preference is accorded in respect of other articles by way of compensation. (14.16)

250. In addition to purchase preference there is also need to accord price preference to KVI products. Since KVI are treated as part of small industries sector, KVI products are entitled for price preference of 15 per cent wherever admissible to the products of small industries. Adopting a differential approach to the KVI sector *vis-a-vis* small industries sector, should be done by giving a special treatment, under which, such of KVI products, which are entitled for 15 per cent price preference on par with small scale industries, should be provided additional 5 per cent i.e. 20 per cent in all and that such of the products, where price preference is not admissible, a 5 per cent price preference for KVI products may be granted. This distinction is necessary because of the difference in levels of technology entrepreneurship, scales of operation and access to other infrastructural facilities. (14.17)

251. There is widespread scepticism about the feasibility of common production programme and the related reservations in favour of the khadi and village industries sector. In these circumstances, KVIC as the national spokesman of the sector should not be content with reiterating in general terms the need for such policy. It should, on the other hand, undertake an in-depth study of the implications of such a policy in respect of specific products and draw up a detailed action plan to ensure that the KVI sector will be able to fulfil its share of the supply. It may choose those products in respect of which, there is a reasonably efficient technology, involving costs of production not unduly high, compared to the alternative products of the small scale sector or the organised sector. A beginning may be made with certain varieties of cloth already reserved for the handloom sector. KVIC should

undertake this exercise in respect of certain varieties of khadi cloth made with specified counts of yarn, soap made with non-edible oils and certain products of processing of cereals and pulses. (14.21)

252. Concessional excise duties or total exemption from excise represent an important method of protecting KVI products, from competition of the products of other sector. The Government must find a way to treat the products of village industries as a separate group (separate from the small scale industries) and provide them with some competitive advantage, through total exemption. If for administrative reasons, excise is unavoidable a nominal rate should be prescribed. Further the assessment for tax should be prescribed, unit-wise separately, and not for the institution as a whole. (14.22)

253 As regards State Government taxes, there is no uniformity among States in regard to application of sales tax law to the KVI sector. The Ministry of Industry may take up this matter of exemption from sales tax with the State Governments concerned, with a view to bringing about a uniform and streamlined policy and procedures. (14.23)

254. Several khadi and village industries units are experiencing difficulties as a result of the unimaginative application of different labour laws, in some parts of the country. (14.24)

255. The Ministry of Labour has since constituted a Study Group. It is hoped that this group will submit its report soon and that the two Ministeries will take appropriate action. Considering the peculiarities of the KVI institutions on the one hand, and the need on the other to protect the artisans/workers against any exploitation, and to assure them reasonable conditions of employment, it would be necessary to make some special provisions in the KVIC Act itself. It may not be a feasible proposition to promote a separate law to lay down and implement a special labour code. (14.25)

256. In addition to support policies discussed in the preceding paragraphs, it is necessary to remember that the decentralised sector, particularly khadi and village industries, are often adversely affected by decisions taken by Government, on various fields under the general drive for modernisation. The impact of every move towards modernisation should be carefully assessed and wherever possible, steps should be taken to rehabilitate the workers hitherto engaged in the traditional industries likely to be affected, through retraining and promotion of alternative modes of employment. Moves towards modernisation may be consciously made, after taking into account the impact on employment and initiating remedial measures for protecting the unfortunate artisans who are likely to be displaced. (14.26)

257. KVIC should play its role in educating the general public, the policy makers, legislators and other opinion leaders, about the importance of a package of supporting policies. Its people's education programme can be made more meaningful, if themes are carefully selected and empirical studies are promoted in support of the policy aspects, that are sought to be protected. (14.27)

CHAPTER 1

KHADI AND VILLAGE INDUSTRIES — A HISTORICAL REVIEW

We may begin by taking note of the phases through which the policy relating to khadi and village industries has been developed over the years. For this purpose, the past may be divided into two periods : one up to 1947 and the other after 1947. While in the first period, the development of khadi and village industries was entirely a non-Governmental effort under the inspired guidance of Gandhiji, the originator, in the second, the Government of India and the Planning Commission assumed the responsibility for fitting khadi and village industries within the overall framework of the Five Year Plans.

1.2 Four phases may be distinguished in the first period. Originally, Gandhiji conceived khadi as the best instrument for giving concrete expression to the 'Swadeshi' spirit and for making effective the boycott of foreign goods in general and foreign cloth in particular. Khadi was also expected to provide an opportunity to every man, woman and child for cultivating self-discipline and self-sacrifice as part of the non-cooperation movement.¹

1.3 For ensuring co-ordinated development of khadi throughout the country, Gandhiji set up in December, 1923, the All India Khadi Board with branches in all provinces.² This organisation was an integral part of the Indian National Congress and worked under its direction and supervision.³ This initial phase can be said to have begun in 1918 and ended in 1924.

1.4 The second phase opened in 1925 with the formation of an autonomous organisation called All India Spinners Association (AISA) of Akhil Bharat Charkha Sangh. Although several Congressmen continued to play an important role in the affairs of the Sangh, it was organisationally independent of the Congress.⁴ AISA did commendable work in regard to propagation, production and sale of khadi. However, Gandhiji continued to distinguish the increased volume and value of khadi produced or sold from the larger social objective of the khadi programme with emphasis on the latter.

1.5 In the thirties, Gandhiji turned his attention to other village industries and the result was the establishment in 1935 of another organisation with the name, All India Village Industries Association (AIVIA). He wrote "Khadi is the central Sun around which the other village industries revolve like so many planets. They have no independent existence

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1. The History of Congress (1935), Congress Working Committee, Allahabad, P. 383 — Sitaramayya Patabhi.
 2. The History of the All India Spinners Association (Hindi) (1950) AISA, Sewagram, P. 91-92 — Jaju S. K.
 3. The History of AISA by Jaju S. K., P. 97.
 4. The History of AISA by Jaju S. K., P. 104.

nor khadi can exist without other village industries. They are absolutely inter-dependent".⁵ *Prima facie*, the creation of a separate organisation for village industries (AIVIA) may appear to be at variance with Gandhiji's philosophy. But on a closer look, it would be clear that AISA and AIVIA were conceived for different purposes. AISA dealt with the revival of the extinct craft of spinning and took upon itself the whole process of promotion, production, sales, technological development and welfare of the artisans. AIVIA concerned itself with resuscitation of some languishing industries through improvement in tools and training and philosophy of 'Swadeshi'. The latter did not take upon itself the entire responsibility for production and sale. It organised State Level Associations to provide support to craftsmen in varying ways. Even so, just before his death, Gandhiji saw the necessity of bringing together not only these two organisations but other organisations in-charge of constructive work. He proposed merging them in one organisation called Akhil Bharat Sarva Seva Sangh.

1.6 There is evidence to show that Gandhiji was not entirely satisfied with the progress of the two organisations and the manner in which the programmes of khadi and village industries were being developed, as if they were ends in themselves. In the latter half of the forties, he felt an imperative need for an entirely new approach, according to which the programmes should be carried out as part and parcel of the wider programme of non-violent village uplift or village reconstruction.⁶ He named it as 'Samagra Seva' and said that khadi could begin to have permanent effect only in the context of complete reorganisation of the entire rural economy. He sincerely felt that otherwise all efforts would not only be inadequate but also largely futile.⁷ In his words, "Our main concern should be to lay the foundation for this work as deep as possible and not merely be satisfied with production of khadi and sale of khadi itself."⁸ He laid stress on village self-sufficiency, limitation of government assistance to education, technical research and technical guidance and reduction on dependence on raw materials from outside.

1.7 It must be added that the enthusiasm of Gandhiji for khadi and village industries and the building up of a programme of 'Samagra Seva' around them was not shared fully by all national leaders of importance. Even among those that conceded a role for khadi and village industries, some stressed the need for adopting better technology and a flexible attitude to the use of machines. It was in answer to these doubts and hesitations that Gandhiji wrote in the *Harijan* dated June 20, 1946 as follows : "Khadi (including village industries) is the only true economic proposition in terms of the millions of villagers until such time, if ever, when a better system of supplying work and adequate wages for every able-bodied person above the age of sixteen, male or female, is found for his field, cottage or

5. Khadi — Why and How, Gandhi M. K., P. 233 (1955 Edition).

6. Khadi — Why and How, Gandhi M. K., P. 176 (1959 Edition).

7. Khadi — Why and How, Gandhi M. K., P. 174 (1959 Edition).

8. Khadi — Why and How, Gandhi M. K., P. 177 (1959 Edition).

even factory in everyone of our villages or displace the villages so as to give the villagers the necessary comforts and amenities that well regulated life demands and is entitled to". In this context, it is worthwhile recalling two statements made by Gandhiji on the use of machines :

- (A) "What I object to is the craze for machinery, not machinery as such. The craze is for what they call labour saving machinery. Man go on 'saving labour' till thousands are without work and thrown on the open streets to die of starvation. I want to save time and labour, not for a fraction of mankind, but for all".⁹
- (B) "The supreme consideration is man. The machine should not tend to make atrophied the limbs of man. For instance, I would make intelligent exceptions. Take case of the Singer Sewing Machine. It is one of the few useful things ever invented, and there is a romance about the device itself. Singer saw his wife labouring over the tedious process of sewing and seaming with her own hands, and simply out of his love for her, he devised the sewing machine, in order to save her from unnecessary labour. He, however, saved not only her labour but also the labour of everyone who could purchase a sewing machine".¹⁰

1.8 Perhaps, the first move to make khadi a governmental programme was made in 1946 by the Government of Madras which deputed a senior officer to obtain advice from Gandhiji and set up a department of Khadi soon thereafter. This was followed by the Central Government's recognition of the importance of rural cottage industries in the Industrial Policy Resolution of 1948. The Constituent Assembly also included development of cottage industries in rural areas among the Directive Principles of the Constitution in Article 43. These ideas were elaborated in the First Five Year Plan which began in 1951-52.

1.9 According to the First Five Year Plan, "village industries have a central place in the rural development programme", and their development "should be as much a matter of State's concern as the increase in agriculture production". It recognised that the development of village industries called for "a great deal of local initiative and cooperation", as they involved "Processing of local raw material for local markets with simple techniques". The Plan envisaged the "possibility of turning waste into wealth, for instance, production of gas from cow-dung and other refuse of the village....., production of bone manure..... soap making out of non-edible oils etc." (Chapter XXIV). The plan added : "while organisation in village industries requires drive and direction from the Central and State Governments, the primary responsibility for carrying out programmes for village

9. All Men are Brothers — Gandhi M. K., Navjeevan Publications — Chapter VII, P. 165-66.

10. Young India — 13th November, 1924.

industries rests with the State Governments; but in many aspects the framework within which they execute the programmes for individual village industries is set by the policies followed by the Central Government. In the Central Government, there is, therefore, need for an organisation which will give close attention to the programmes of these industries and help to create favourable conditions for action by State Governments, constructive organisations and village co-operatives".¹¹ In accordance with this recommendation, the Government of India set up the All India Khadi and Village Industries Board in January, 1953. The main functions of the Board were to prepare and organise programmes for the development of khadi and village industries, including training of personnel, manufacture and supply of equipment, supply of raw materials, marketing and research and study of the economic problems of different village industries. Moreover, the Board was expected to function as a clearing house of information and experience regarding these industries and to work in close cooperation with the State Governments and the Akhil Bharat Sarva Seva Sangh which had earlier taken over the activities of AISA and AIVIA in 1948. It was soon found that the Board was suffering from several procedural handicaps, particularly the lack of timely financial arrangements. It was, therefore, decided in 1955 that the Board should be replaced by a statutory body. A Bill was accordingly introduced in Parliament proposing the establishment of a Commission with "powers executive as well as administrative", for proper development of khadi and village industries. It also provided "for the All India Khadi and Village Industries Board functioning as an advisory body which will advise the Commission generally in the discharge of their duties". With the passing of the above Bill and the promulgation of Act No. LXI of 1956, the Khadi and Village Industries Commission came into being in April, 1957. Besides Khadi, initially 10 village industries were named in the Schedule.¹² Subsequently, 16 village industries¹³ were added to the Schedule, one

11. First Five Year Plan — Planning Commission (1953), P. 316.

12. Beekeeping; Cottage Match Industry; Manufacture of Fireworks and Agarbattis; Cottage Pottery Industry; Cottage Soap Industry (Non-edible Oils and Soap Industry); Flaying, Curing and Tanning of hides and skins and ancillary industries connected with the same and Cottage Leather Industry; Ghani Oil Industry; Handmade Paper; Manufacture of Cane Gur and Khandsari; Palmgur making and other palm products industry and processing, packaging and marketing of cereals, pulses, spices, condiments, Masalas etc.

13. 1959 — Manufacture and use of manure and methane gas from cowdung and other waste products (such as flesh of dead animals, night soil etc.), Biogas.

1962 — Limestone, Lime shell and other lime products industry.

1965 — Manufacture of Shellac; collection of forest plants and fruits for medicinal purposes, Fruit and Vegetable processing, preservation and canning, including pickles; Bamboo and Cane work; Blacksmithy; Carpentry; Fibre other than Coir; Manufacture of Household Utensils in Aluminium; Manufacture of Katha; and Manufacture of Gum Resins.

1978 — Manufacture of Lok Vastra Cloth.

1979 — Poly Vastra.

1980 — Processing of Maize and Ragi.

1984 — Manufacture of rubber goods (dipped latex products).

in 1959, one in 1962, ten in 1965 and one each in 1978, 1979, 1980 and 1984, thus bringing up the present total to 26. The Commission and the Government of India persuaded the State Governments to set up Khadi and Village Industries Boards, more or less, on the pattern of the Commission, in order to receive grants and loans from the Commission and thereby assist the development of the scheduled industries.

1.10 Broadly speaking, the idea was to entrust the task of developing khadi and village industries to those who knew them best and to give them, for the purpose, sufficient powers, funds and as much autonomy as would be consistent with the concept of accountability of public funds. The last mentioned aspect was to be ensured through a Financial Adviser appointed in the Office of the Commission by the Government of India. According to Rule 12(5) of KVIC Rules 1957, the Financial Adviser shall have authority to advise the Commission and the Standing Finance Committee that a particular decision affecting the general financial policy of the Government should be referred to the Government for consideration. How the Commission was constituted from time to time, how the persons nominated to the Commission and the Financial Adviser perceived their respective roles and how the concept of autonomous institution was implemented in practice would be considered a little later. For the present, we may continue with the historical evolution of the policy relating to KVI.

1.11 During its short term, the All India Khadi and Village Industries Board initiated in 1954 some experiments in integrated rural development on Sarvodaya principles, in response to the call of the Prime Minister, Nehru. They were under the caption, Intensive Area Scheme. The Scheme was continued by the Commission till 1963-64. This must be viewed as an opportunity given to Gandhians to experiment 'Samagra Seva' about which Gandhiji wrote during his last years. The idea of the Prime Minister was to try out a new approach through the Gandhians side by side with the Community Development approach. The Intensive Area Scheme was "not intended to give ready-made programmes to the village community but to guide it to formulate its own programmes in a comprehensive manner unfettered by any pre-conceived notions or limitations". Each area was to consist of 20 to 30 villages, with a population of about 20,000. For implementing the scheme, a Kshetriya Samiti for the area and Gram Vikas Mandal for every village were organised and the Commission appointed an Organiser, an Assistant Organiser and some staff technically trained in village industries. Although the Scheme envisaged all round development, including agriculture and social services, the Commission had no separate funds for these non-industrial purposes and had to depend on public contributions and the assistance from other Government departments. However, the Scheme had wide ranging objectives. There were four economic objectives : creation of employment at relatively low capital cost and raising levels of real income; a balanced and diversified occupational pattern; introduction of better and appropriate techniques; and local or regional self-sufficiency in essential consumption goods. Social objectives were also four — facilities

for education, health, recreation and social security; promotion of people's participation, self-reliance, social cohesion and cooperation in Gram Parivar; creation of institutional framework for village development and self-government and local leadership; and reduction of inequalities and Antyodaya. Under other objectives was listed, development of village industries in a balanced rural economy without much dependence on outside protection. A very ambitious list indeed ! The programme had two stages — pre-intensive and intensive. 121 areas were brought under the Scheme.

1.12 The Second Five Year Plan (1956-61), which gave a high priority to the development of heavy industry and a large investment of public funds in this sector, found a new justification for village industries. It was propounded that the rising demand for consumer goods could be met by additional production generated by village and small industries which required relatively less capital investment and that they could thus help reduce the inflationary pressures resulting from high investment on heavy industries. The village and small industries sector was viewed as a progressive and efficient decentralised sector, closely integrated with agriculture on the one hand and large industry on the other. As a result, common production programmes and regulatory devices such as reservations, controls, allocation of raw materials and purchase policies were advocated. The Karve Committee (October 1955) which was appointed to examine the problems of the VSI sector recommended the organisation of industrial cooperatives for the implementation of the expanded programme of village industries and the initiation of steps to facilitating transition to higher technology. This was in accordance with the prevailing preference for the co-operative method in the field of rural development. Some of these new ideas were incorporated in the Industrial Policy Resolution of 1956. The Resolution highlighted the potential of village and small industries as 'the method of ensuring a more equitable distribution of national income, as they are capable of creating immediate and permanent employment on a large scale at relatively small capital cost'. Attempts were also made to assist rural artisans from allocations under rural arts and crafts in the Community Development Block budgets and through the Training-cum-Production Centres set up by the Block administrations. In some places, the State Khadi and Village Industries Boards were invited to start village industries programmes. KVIC itself took commendable initiative to organise carcass disposal and bone digester centres, non-edible oil units, palm products, carpentry and blacksmithy units, beekeeping etc. and to promote research in improved tools and equipment. It was against this background that Ambar Charkha was introduced in 1956-57 with great hope. But as the Khadi Evaluation Committee (1960) noted, the programme did not come upto expectations for various reasons, such as "inadequate training, lack of proper pre-processing, non-standardisation of spinning equipment and inadequacy of the organisational structure". The Ambar Charkha had to be remodelled and converted into an all-metal six spindled unit. It came to be known as New Model Charkha (NMC). Its introduction also came to be restricted to carefully selected areas. Thus an important lesson was learnt by the Khadi and Village Industries Commission about the complexities in the transfer of technology on a large scale.

1.13 The Evaluation Committee headed by Dr. V.K.R.V. Rao of the Institute of Economic Growth, Delhi took up the survey of Intensive Areas in 1962. It found that out of 121 areas, 48 were abandoned due to unsatisfactory working. The Committee also found that the activities in most areas were confined to one or two villages, that the scheme suffered for lack of resources, particularly for non-industrial activities outside the jurisdiction of KVIC, that delays in sanction and release of funds by KVIC affected the progress of the programme and the Commission's attitude to technological changes and use of power should have been more pragmatic in the interest of higher productivity. Later in 1966, the Estimates Committee of the Parliament drew attention to the unimpressive results of the scheme and advised the Government to evolve an 'overall and well-coordinated plan of rural industrialisation'. It added that in view of the 'ideological reservations and inhibitions', the KVIC is not a suitable organisation for implementing the programme of rural industrialisation covering all rural industries and all rural areas.

1.14 We may also take note of another experiment in intensive work undertaken by KVIC. On the recommendation of a combined meeting held in June, 1959 Khadi Gramodyog Samiti of the Sarva Seva Sangh, the Khadi and Village Industries Board and the representatives of the State Khadi and Village Industries Boards, the Commission decided to intensify its activities in the 'Gramdan' villages. In a number of States, assistance was provided under the scheme. Foundations of Integrated Development Programme, which was initiated in April, 1961, were laid by the Intensive Area Scheme and to a certain extent, by the 'Gramdan' village scheme. The objective of the programme was to develop compact areas with a population of about 5,000 each into well-knit units of agro-industrial economy where, in addition to khadi and village industries, other programmes of rural development such as sanitation, housing, health services, education etc. were also to be developed. It was intended to stimulate in the local population initiative and desire for the development of village community as a whole in preference to the programmes of different sectors of the economy in an isolated manner.

1.15 However, in the light of the observation of the Estimates Committee of Lok Sabha (1961-62) that the Intensive Area Scheme was outside the scope of the Commission as well as the unsatisfactory results in its implementation, KVIC decided to discontinue the Intensive Area Scheme in 1963-64. It could not also pursue the Integrated Development Programme on the lines visualised in April, 1961. However, a limited programme was launched in 1966-67, with the objective, inter-alia, of developing new organisations or encouraging existing local institutions for promoting KVI activities as a part of helping the process of integrated development of selected areas. In other words, the new approach of the IDP envisaged building up of institutional infrastructure in areas where KVI activities are relatively weak or absent. At present this programme sometimes referred to as Gram Ekai is implemented in 14 States by 57 institutions and agencies. The pattern of assistance provides sanction of financial assistance upto Rs. 40,000 grant per IDP block to an institution for a period of seven years, on a tapering basis.

1.16 The policies and approaches laid down in the First and Second Five Year Plans were, by and large, continued in the subsequent plans with some change in emphasis on one aspect or the other. For example, the Third Five Year Plan (1961-66) laid stress on improvement of skills, supply of technical guidance, better equipment and liberalised credit, with a view to reducing production costs and achieve higher productivity. It also suggested that a view should be taken on the role of subsidies and other financial props, so as to motivate production units to achieve viability as soon as possible. The Fourth Five Year Plan (1969-74) drew special attention to regional disparities in the development of khadi and village industries and the need for special efforts in backward areas. The Fifth Five Year Plan (1974-78) spoke of the needs of traditional artisans who were getting displaced and suggested larger deployment of institutional finance for village industries in the wake of the expansion of the banking structure after nationalisation. KVIC continued to operate within the four corners of its statute. Only a few more were added to the list of village industries as noted earlier. The feeble exercises initiated in the Second Five Year Plan and continued in the Third Five Year Plan to integrate Khadi and Village Industries with the larger programme of rural development came to an abrupt end with the abandonment of the Community Development Programme and the dismantling of the block machinery in most of the States. Although great concern was expressed in the Fourth and Fifth Plans at the rising unemployment in rural areas and special programmes like Crash Scheme for Rural Employment (CSRE) and Drought Prone Areas Programme (DPAP) were introduced, they remained confined to land-based activities oriented to agriculture. KVIC with its charter for skill-based activities oriented to artisans was, by and large, not drawn into these special employment programmes.

1.17 Here, mention may be made of the initiative taken by the Commission to interest the State Governments in the Artisans Employment Guarantee Scheme popularly known as Balutedars Block Level Multi-Purpose Co-operative Scheme. The main object of this scheme was to cover as large a number of artisans as possible with the help of the available field agencies and to arrest their displacement from the existing crafts. The scheme was to ensure adequate earnings on the one hand and provision of fuller employment on the other. In 1971-72, KVIC approached State Governments requesting them to formulate detailed schemes for providing fuller employment to artisans in khadi and village industries. However, only the Maharashtra State KVI Board took steps for its implementation and registered 294 block level multi-purpose co-operatives. Under the scheme, capital expenditure was borne by KVIC and the working capital was secured from the institutional (co-operative) financing agencies. The Reserve Bank of India agreed to provide refinancing facilities under Section 17(2)(bb) of the RBI Act. KVIC also provided loan assistance to the artisan members of block level multi-purpose co-operatives towards their share capital contributions. The State Government agreed to meet the establishment cost of the multi-purpose co-operative societies. They also contributed to the share capital. KVIC extended interest subsidy scheme to the borrowings of block level multi-purpose co-operatives.

The scheme was launched in Maharashtra in 1972-73. In 1985-86 the scheme was implemented by 295 block level multi-purpose co-operatives with a membership of 1.82 lakhs and paid up share capital of Rs. 5.62 crores. It availed of institutional credit of Rs. 12.20 crores. The number of artisans assisted under the scheme was 1.26 lakhs and the production was valued at Rs. 59.48 crores. The progress of the scheme and the lessons to be drawn therefrom will be critically reviewed in a later chapter.

1.18 During the second half of the Fifth Plan, the Planning Commission began to show a marked preference to the beneficiary-oriented approach and self-employment in the anti-poverty programmes. This trend of thinking got a boost during the Janata period (1977-79) when some State Governments revived the evocative term 'Antyodaya', which was coined by Gandhiji himself. When one is called upon to identify the poorest of the poor and to help him attain viable self-employment through the acquisition of assets like tools and equipment and through training, one is compelled to choose a simple craft or a village industry, if the selected person has the inclination to be an artisan. Accordingly, the Sixth Five Year Plan (1980-85) laid down specific targets for village industries to be developed under the Industry, Services and Business (ISB) sector of Integrated Rural Development Programme (IRDP). Out of the 600 families selected in each block, at least 50 were thus required to be assisted to take up village industries. And as every such industry needs for successful operation on a continuing basis, specific backward and forward linkages, attempts came to be made to involve the KVIC and the State Khadi and Village Industries Boards and the District Industries Centres concerned. The District Level Officer of the State KVIB has been included in the DIC as Manager-in-charge of village industries in some States. But a great deal has still to be done to make these links strong, useful and effective. The Seventh Five Year Plan document has recorded that the target under the I part of ISB sector could not be achieved in the Sixth Plan for various reasons. Now that the Seventh Plan (1985-90) has nevertheless reaffirmed broadly the approach under IRDP, we have to bring about the organisational and other improvements that will help in achieving the objectives.

1.19 Some other developments have also contributed to an increased flow of funds for village industries through channels outside the control of the KVIC. They are the Tribal Sub-Plan, a concept introduced in the Fourth Five Year Plan, the Special Component Plan for Scheduled Castes which came into vogue in the Fifth Plan and the Special Women's Programmes which resulted from the recognition that something special should be done for the economic betterment of women in general and rural women in particular. In all these cases, KVIC and the State KVIBs are often required to provide the necessary support, although no proper organisational arrangements have been evolved by the concerned agencies for ensuring the necessary degree of coordination. As a result, coordination has been left to the initiative of the local officers. This has worked well in some areas while in some others, it has not.

1.20 It is interesting to note that as flow of funds through other channels for setting up village industries has been increasing, the allocations to the KVIC have been declining in terms of percentage of the total public sector outlay. Table 1 shows the allocations made to KVIC in each Plan, the actual releases and the percentages.

1.21 We may now take note of the progress achieved by the KVIC in different plan periods. For this purpose, some selected indicators are presented in table 2.

1.22 It will be seen from the table that, while there were 2 State KVI Boards, 242 registered institutions and 60 co-operatives in 1955-56, their number increased to 27 State KVI Boards, 1,127 registered institutions and over 31,000 co-operatives in 1984-85. The production of KVI which was Rs. 16.47 crores (Khadi Rs. 5.54 crores and V.I. Rs. 10.93 crores) in 1955-56 reached the level of Rs. 964.68 crores (Khadi Rs. 157.62 crores and V.I. Rs. 807.06 crores) in 1984-85. Similarly, the employment in KVI which was 9.64 lakhs (Khadi 6.57 lakhs and V.I. 3.07 lakhs) in 1955-56 increased to 37.89 lakhs (Khadi 13.05 lakhs and V.I. 24.84 lakhs) in 1984-85. The full time employment in khadi which was 0.61 lakh in 1955-56 increased to 3.41 lakhs in 1979-80 and to 4.24 lakhs in 1984-85. Likewise, full time employment in village industries which was 0.08 lakh in 1955-56 reached to 5.66 lakhs in 1979-80 and 8.24 lakhs in 1984-85. Wages/earnings paid for KVI in 1955-56 were Rs. 6.93 crores (Khadi Rs. 3.33 crores and V.I. Rs. 3.60 crores) increased to Rs. 296.38 crores (Khadi Rs. 75.89 crores and V.I. Rs. 220.49 crores) in 1984-85.

1.23 KVIC proposed a production target of Rs. 1,570 crores (Khadi Rs. 288 crores and V.I. Rs. 1,282 crores) with an employment level of 50 lakhs (Khadi 20 lakhs and V.I. 30 lakhs) for the terminal year of the Seventh Plan. This was proposed on the basis of an outlay of Rs. 540 crores as budgetary support. However, in the Seventh Plan while the budgetary support has been maintained at Rs. 540 crores, the target of production has been raised to Rs. 2,000 crores (Khadi Rs. 300 crores and V.I. Rs. 1,700 crores). However, the employment target at 50 lakhs, as proposed by the KVIC has not been changed. It is not clear as to how KVIC would be able to achieve the raised target of production, without increasing the budgetary support. We suggest that the administrative Ministry may sort out the problem in consultation with the KVIC and the Planning Commission and additional resources may be made available to KVIC for achieving the increased target.

1.24 In order to bring out the comparative roles of khadi, on the one hand, and village industries on the other, in the creation of employment and in contributing to the earnings of the artisans, we present the available data in the form of a graph.

1.25 It will be seen therefrom that Khadi which has provided employment to 19.15 lakh persons in 1964-65 has absorbed a little more than 13 lakh persons only in 1984-85. It has shown a declining trend since 1965-66 and has been able to achieve a double digit

figure again in 1978-79 after about 14 years. The main reasons for the sharp decline in employment after 1965-66 were inordinate delay in introduction of six and twelve spindle NMC in place of old four spindle wooden Ambar charkhas withdrawn earlier thereby creating a technology gap, fall in real wages resulting in a drop in the number of traditional spinners and disappearance of Vastra-Swavalambi. We shall discuss these aspects in greater detail in the Chapter on Khadi. Here, it is enough to note that while the figures of employment under khadi have shown a decline, those under village industries have shown a welcome rise. Village industries scored a march over khadi for the first time in 1973-74 with 9.28 lakh persons employed against 8.84 lakhs of khadi. They have been registering steady increases year after year since 1973-74, thus reaching 24.84 lakh persons in 1984-85 while khadi stagnated at 13.05 lakh persons in that year. Many witnesses averred before us that the potential of village industries is vast and remains untapped and that KVIC will do well to devote greater attention to village industries and take urgent steps for their promotion. Some of them have pointed out that the present method of listing specific industries in the schedule of the Act is rather restrictive and is not consistent with the current policy of fitting the selected family below the poverty line with the industry of its choice or aptitude.

1.26 We may conclude this historical review by recalling Gandhiji's statement of June, 1946, which we cited in para 1.7 and by recording the general recognition that the development of village industries in their widest sense (including khadi) is an important element in any action programme directed towards the alleviation of rural poverty. Further, this recognition is no longer confined to a few disciples of Gandhiji but is shared by a large number of planners, administrators, social workers and others engaged in rural development. We have seen how the khadi and village industries programme which started as non-Governmental programme by a few voluntary institutions with the aid of charitable donations has been transformed into a nation-wide programme with definite public outlays from the national plans supplemented by earmarked funds from other plan programmes. These developments which have raised serious problems of co-ordination have important implications for KVIC as an organisation. We propose to examine these in the next Chapter.

TABLE 1 (Para 1.20)

PUBLIC SECTOR OUTLAYS AND PLAN PROVISION FOR KVI

(Rs. crores)

Plan Period	Public Sector Outlay	Public Allocation for KVI	Funds made available for KVI (Actual)	Col. 3 as % of Col. 2	Col. 4 as % of Col. 3
1	2	3	4	5	6
First Plan	1,960	15.00	11.58	0.8	77
Second Plan	4,672	83.78	78.71	1.8	94
Third Plan	8,577	92.40	86.90	1.1	94
Annual Plan 1966-67 to 1968-69	6,757	53.05	53.05	0.8	100
Fourth Plan	16,160	111.00	97.73	0.7	88
Fifth Plan	37,250	180.00+	118.26*	0.06	66*
Annual Plans 1978-79 to 1979-80	24,192	154.20	154.20	0.6	100
Sixth Plan	97,500	480.00	521.72 ^{cc}	0.5	109
Seventh Plan	1,80,000	540.00	—	0.3 × × ×	—

* : For four years.

+ : Does not include provision for S and T.

Note : (i) Figures under Col. 4 includes funds for establishment expenditure of KVIC upto the end of Fourth Plan.

(ii) They also include provision for sales rebate on khadi and subsidy in lieu of interest on Government loans upto the end of Sixth Plan.

cc : Rs. 521.72 crores includes Rs. 97.06 crores as sales rebate on Khadi and Rs. 128.08 crores as subsidy in lieu of interest on Government loan. The expenditure on these two items viz. sales rebate on khadi and subsidy in lieu of interest on Government loans at the end of the Sixth Plan has been transferred to non-plan from the Seventh Plan. Therefore, the plan allocation for the Seventh Plan at Rs. 540 crores does not include the above expenditure and therefore, the allocation of Rs. 540 crores for Seventh Plan cannot be compared with the allocation of Rs. 480 crore and the release of Rs. 521.72 crores during Sixth Plan. If the expenditure incurred on these items now transferred to non plan is excluded from the release of Rs. 521.72 crores in Sixth Plan the actual release would come to Rs. 296.58 crores against which in the Seventh Plan Rs. 540 crores were allocated, i.e., a step up of 82 per cent.

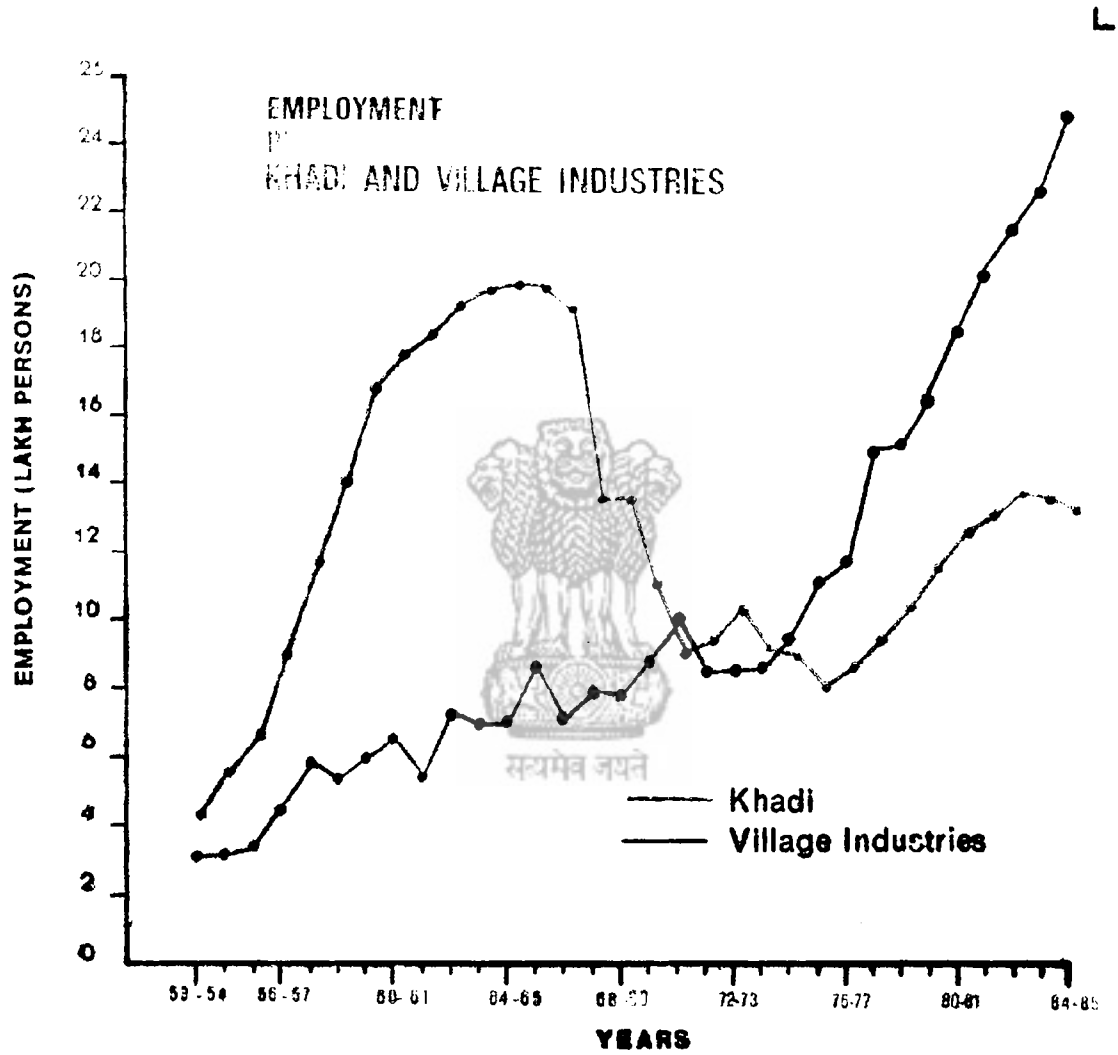
× × × : Similarly, if the percentage of plan allocation for KVI to public sector outlays is compared on the above basis, the share of allocation to KVIC would be at 0.5 per cent the same as in the Sixth Plan.

TABLE 2 (Para 1.21)

Sr. No.	Subject	1955-56	1960-61	1965-66	1968-69	1973-74
I.	Villages Covered (Lakhs)	NA	NA	NA	NA	NA
II.	ORGANISATIONS					
	(i) State KVI Boards (Nos.)	2	14	15	15	20
	(ii) Institutions (Nos.)	242	720	1,037	678	681
	(iii) Cooperatives (Nos.)	60	11,765	19,371	20,079	23,715
	Total	304	12,499	20,423	20,772	24,416
III.	PRODUCTION (Rs. in Crores)					
	(i) Khadi	5.54	14.23	26.80	23.38	32.72
	(ii) Village Industries	10.93	33.16	55.87	75.12	122.40
	Total	16.47	47.39	82.67	98.50	155.12
IV.	SALES (Rs. in Crores)					
	(i) Khadi	4.37	14.07	19.67	20.74	45.95
	(ii) Village Industries	0.90	28.36	49.73	63.98	115.64
	Total	5.27	42.43	69.40	84.72	161.59
V.	EMPLOYMENT (Lakh persons)					
A.	Khadi					
	(i) Full time	1.61	2.05	1.81	1.32	1.07
	(ii) Part time	5.96	15.08	17.14	12.04	7.77
	Total	6.57	17.13	18.95	13.36	8.84
B.	Village Industries					
	(i) Full time	0.03	0.73	0.81	0.79	1.32
	(ii) Part time	2.99	6.08	7.96	6.93	7.96
	Total	3.07	6.81	8.77	7.72	9.28
VI.	TOTAL EMPLOYMENT (A+B)					
	(i) Full time	0.69	2.78	2.62	2.11	2.39
	(ii) Part time	8.95	21.16	25.10	18.97	15.73
	Total	9.64	23.94	27.72	21.08	18.12
VII.	WAGES/EARNINGS (Rs. in Crores)					
	(i) Khadi	3.33	8.54	16.14	13.27	17.08
	(ii) Village Industries	3.60	6.53	10.74	12.20	22.16
	Total	6.93	15.07	26.88	25.47	39.24

Sr. No.	Subject	1977-78	1978-79	1979-80	1984-85	1989-90
I.	Villages Covered (Lakhs)	NA	1.25	1.30	1.50	2.00
II. ORGANISATIONS						
	(i) State KVI Boards (Nos.)	24	24	24	27	28
	(ii) Institutions (Nos.)	694	739	851	1,127	1,300
	(iii) Cooperatives (Nos.)	27,071	27,842	28,941	31,000	32,000
	Total	27,789	28,605	29,816	32,154	33,328
III. PRODUCTION (Rs. in Crores)						
	(i) Khadi	64.89	76.54	92.03	157.62	300.00
	(ii) Village Industries	192.54	242.97	347.98	807.06	1,700.00
	Total	257.43	319.51	440.01	964.68	2,000.00
IV. SALES (Rs. in Crores)						
	(i) Khadi	66.52	78.26	87.15	159.52	310.00
	(ii) Village Industries	190.29	242.01	358.97	880.45	1,785.00
	Total	256.81	320.27	446.12	1,039.97	2,095.00
V. EMPLOYMENT (Lakh Persons)						
A. Khadi						
	(i) Full time	2.39	2.53	3.41	4.24	7.00
	(ii) Part time	6.83	7.81	7.79	8.81	13.00
	Total	9.22	10.34	11.20	13.05	20.00
B. Village Industries						
	(i) Full time	3.16	5.04	5.66	8.24	10.00
	(ii) Part time	11.78	9.92	10.47	16.60	20.00
	Total	14.94	14.96	16.13	24.84	30.00
VI. TOTAL EMPLOYMENT (A+B)						
	(i) Full time	5.55	7.57	9.07	12.48	17.00
	(ii) Part time	18.61	17.73	18.26	25.41	33.00
	Total	24.16	25.30	27.33	37.89	50.00
VII. WAGES/EARNINGS (Rs. in Crores)						
	(i) Khadi	31.06	36.51	43.25	75.89	140.00
	(ii) Village Industries	50.10	59.79	78.84	220.49	320.00
	Total	81.16	96.30	122.09	296.38	460.00

N. A : Not Available



CHAPTER 2

MAIN ISSUES BEFORE THE KVIC

In this chapter, we shall discuss the main issues that the KVIC as the apex body at the national level will be called upon to tackle during the next ten or fifteen years. Hopefully, this discussion will throw light on the structural changes that are necessary to meet the challenges of the time.

2.2 We have noted that although the programme of Khadi and Village Industries was originally conceived as part of the movement for village self-sufficiency, it is now being favoured widely, on its own merit, as a method of providing non-farm employment in rural areas. It has become clear over the years that the employment potential of the programme cannot be realised in full, if its inputs and outputs are strictly limited to locally available raw materials and local markets respectively. While local raw materials and local markets should be utilised to the maximum, there is need for a flexible attitude towards wider markets. For example, the village potters in many areas have found traditional local markets for the ordinary pots and pans shrinking as a result of the increased availability of aluminium vessels and plastic products and have been compelled to diversify their production with the aid of the raw materials (such as quartz, felspar etc.) from a distance and also to look for markets which are not nearby. Even the firewood required for their kilns is not locally available. Similarly, with the increasing popularity of power driven pumps the village leather worker is no longer able to sell the rough leather buckets for irrigation. Even in the case of khadi, which at one time was considered a product eminently suited for utilisation of local resources and for local use, dependence on outside inputs as well as distant markets has been increasing. It is well known that cotton is not grown in all the villages and suitable varieties have to be procured and transported over long distances to maintain the production of yarn, be it with the use of traditional charkha or the new model charkha (NMC). In fact, the KVIC has been running a central cotton purchase scheme for several years. The Asoka Mehta Committee (1968) drew attention to the rising share of commercial khadi as contrasted with khadi produced for self-sufficiency. The latter hardly formed 4 per cent of the total cotton khadi production in 1965-66. In 1984-85, it has become, almost negligible. The Commission's free weaving scheme introduced in April, 1964, with a view to promoting production for self-sufficiency, did not make any significant impact. According to the latest assessment, about 90 per cent of the total cotton khadi has to be sold in the market, partly in the rural areas surrounding the production centres and partly in the urban centres.

2.3 Production for the market, whether local or distant, implies that the products offered for sale should be in accordance with the tastes of the buyers and must come up to their expectations in regard to quality, price, presentation etc. There is also evidence to

show that in addition to the ideological buyers, a new class is emerging, which is attracted by the price, fashion of the day, convenience and other factors. It should be the endeavour of KVIC to encourage both classes of buyers by studying their behaviour patterns and servicing them properly. This is true not only of the urban buyers but also of the rural buyers. This point was brought out forcefully in the following words by the then Chief Minister of U.P., Shri N.D. Tiwari, when the Committee met him in Lucknow in July, 1985 : "I consider that marketing will be a very crucial factor in the future. So we have to be very careful both about the quality of the products and their marketability. I feel that sticking to the traditional character and role of khadi products would not help it withstand the present competition in the textile world. I feel that new and latest designs should be introduced in khadi production and due note should be taken on the tastes and the needs of the future generation". He went on to stress the need for strengthening the retail outlets for Khadi as well as V.I. products and for exploring the role of weekly bazars for this purpose. These considerations gain in importance as the years go by. There is thus a great and urgent need for the KVIC adopting what may be called a market approach to the problems of raw materials supply, technology, training of artisans, research of consumer behaviour, packaging, processing, pricing etc.

2.4 We are not the first Committee to recommend the market approach or better arrangements for marketing. Some other Committees and Working Groups before us have drawn attention to this matter. The KVIC has taken some steps such as opening of large number of retail outlets, renovation of bhandars and bhavans, improvement in display and presentation, common emblem, adoption of ISI mark in respect of some goods, agmarking of honey, holding of live demonstration in exhibitions, provision of special sales rebate in addition to normal rebate and breaking up of spells of rebate etc. The rebate system which is the distinguishing feature of khadi sales has been made more attractive. It persuaded some of the State Governments to accord purchase and price preference to KVI products. As regards marketing, in the wider sense, KVIC has shown awareness by commissioning some studies and establishing the Directorate of Marketing. However, the manner in which the study reports were dealt with on receipt in the Commission and the Directorate of Marketing was manned was rather disappointing. The Directorate of Marketing has not been able to explain to our satisfaction why no serious follow up action was taken on the Study Reports, on which the Commission has spent its money. We were shocked to find that the detailed Business Plans drawn up by the Industrial Development Services, New Delhi for the Khadi Gramodyog Bhavans at New Delhi, Madras and Calcutta at the cost of the Commission were not even communicated to the Managers-in-charge of these Bhavans. We have been informed that having regard to its importance, KVIC created a decade back, a post of Special Officer (Marketing) with the sanction of the Government. However, it has not been possible to fill up the post by a suitable person even though it was filled up on two occasions. They held the post for a very short period and left the organisation. It appears that the emoluments of the post could not attract the required talent. We also

found that Government's response to the Commission's specific request to improve emoluments was not satisfactory. Our discussions with the Managers of the Bhavans have convinced us that the products offered for sale do enjoy a good reputation for quality and integrity in presentation and that the sales can be pushed up considerably if certain physical facilities are expanded to cope with the periodical rush and certain marketing techniques are allowed to be employed. Considering the enthusiasm and confidence of the sales force despite the present limitations and the vast potential of several products, we are inclined to think that some structural changes have to be made in the composition of the highest policy making body which is expected to provide leadership and direction and bring about the much needed change and improvement in this crucial area of marketing.

2.5 Another important issue before the Commission is the development and transfer of technology which alone can ensure productivity and wage at satisfactory levels. It is not enough to say that the KVI Sector provides the much needed non-farm employment. Such employment must carry a reasonable wage, that is a wage not lower than the statutory minimum wage or a wage comparable to the prevalent or prescribed wage for agricultural labour in non-peak seasons of agricultural operations. In fact, the rate has to be somewhat higher if the employment is intended to be whole time and the production activity is to be carried on throughout the year without interruption. Experience has shown that a reasonable wage can be maintained on a continuing basis, only when the artisan is able to achieve productivity of a higher order and to produce a quality product, by adopting a suitable technology for the purpose. KVIC has, no doubt, been devoting attention to this problem from the very beginning and has brought about several improvements in tools and processes. It has been running research institutions of its own besides supporting the relevant activities undertaken by some voluntary organisations and research bodies. Table 1 shows the important improvements introduced over the years in Khadi and Village Industries.

2.6 KVIC's research and experiments programme includes research in the design, fabrication of improved equipment/implement/machines, modification in the existing equipment/implements/machines and improvement in various processes of production. For this purpose KVIC established research laboratories for different industries and also sponsored research projects to outside agencies. With a view to identifying suitable tools/equipment/implements/ machines, KVIC is organising Saranjam Sammelans at suitable intervals. In these Saranjam Sammelans, fabricators, technical experts and economists participate. The working of the machine is studied indepth and recommendations are made. We consider this as a novel feature. KVIC has also set up an Instrumentation Directorate to monitor the supply of improved New Model Charkhas and Pot Charkhas and improved hand-looms in the field. In V. I. also a programme for standardisation of tools, equipment, machines in selected industries had been launched. There is greater collaboration with NSIC for manufacture of machinery required in NEO Soap and HMP Industries. It has also set up spare parts godowns in different State Offices of the KVIC. As has been stated earlier in

various exhibitions live demonstration is given of the improved processes. In recent years, major breakthrough in wool spinning was achieved with the development of improved 4 spindle charkha. The other major landmarks are development of power driven ghani, improved paddy dehusker, power driven pottery wheel, improved bee boxes, improved honey processing method, improved kiln for lime burning, hydraulic crusher in Khandsari manufacture, raspador and improved ban making machine in fibre, fibre-glass for gas holders and ferro-cement for digesters, manufacture of laundry and toilet soap in decentralised sector etc. etc.

2.7 However, it has been represented to us that the original thrust has been lost, that for a long time now no significant technological improvement has come out of the R & D organisations maintained or assisted by KVIC, and that certain organisational rigidities have stood in the way of better results. We have come across the case of the introduction of the modified cylinder mould in Hand made Paper Industry, where a positive decision could not be taken for several years due to the opposition within the Commission. It was argued on ideological grounds that using power should not be extended beyond the stage of digestion of pulp in the interest of maintaining the employment potential and that the art of lifting by hand would be the only legitimate process for a village industry despite serious difficulties in passing on this art to new generations particularly in non-traditional areas and the patent boost to the quality of the product from the new process. We have also perused the Monograph No. 106 with the title "Technology Transfer Process in Decentralised Rural Industries Cases & Analysis" by T. K. Moulik and P. Purushotham of the Centre for Management in Agriculture, Indian Institute of Management, Ahmedabad (1983). The main conclusions of the studies are : that there was lack of clarity in the objectives; that the progress of research was hampered by poor staff, inadequate number of scientific personnel, delay in release of funds, administrative over-burden and rigid organisational culture and that above all, the policy making body did not provide adequate and timely support to the R & D institutions. Some scientists associated with the R & D programmes and institutions of KVIC through membership of special or advisory Committees have expressed disappointment at the manner in which their reports or suggestions have been dealt with by the Commission. While we will deal with this matter in detail in a later Chapter, here we wish to take note of the need to provide leadership and guidance in the Commission at the highest level for the performance of this important function of technology development and transfer.

2.8 The third issue, that has come to our notice is related to the industrywise jurisdiction of the KVIC and the spatial distribution of its programme. We have been informed that at one stage the Member, Planning Commission in-charge of the Industries including VSI Sector proposed the establishment of a separate Commission for village industries on the ground that the KVIC was too much preoccupied with khadi and that the problems of village industries required an approach different from that adopted for khadi. Seventh Five Year

Plan document also mentions the need for examining this proposal and combining village industries and handicrafts in one Commission. We have seen in para 1.25 that the village industries in the purview of the Commission have been out-ranking khadi in terms of employment since 1973-74 and the production of V. I. has always been more than khadi. Besides, while considering this point, we also have to bear in mind the facts that the State Khadi and Village Industries Boards have been given the major role in the promotion of village industries for quite some time and that KVIC has been trying to persuade these Boards to step up their activities through financial assistance and technical guidance. Another view has been presented to us by some witnesses who have questioned the wisdom of limiting the jurisdiction of KVIC to a few notified industries. They have urged that in view of the emphasis laid by IRDP and TRYSEM on promoting viable employment to the poor in activities of their choice, there is urgent need for developing an organisation for taking care of the forward and backward linkages in all such activities. They would prefer that village industries be defined with reference to the capital to be invested therein per head of worker, more or less on the analogy of the tiny industry and small scale industry. They, of course, pressed that everything should be done to ensure that the village industry so defined should be located in a village. This suggestion appears to arise from their fear that a production unit although qualified as a village industry under the definition tends to be located in a place other than a village for other reasons. This fear is not entirely mis-placed as we found that even now some of the khadi and village industries units are located in bigger towns and cities. In fact one Chief Minister enquired from the Chairman of this Committee whether KVIC would assist in the setting up of khadi and village industries units in slum areas of a metropolitan city. The implications of all these points have to be carefully considered.

2.9 There is, no doubt, an impression that the khadi and village industries units are concerned with the production of traditional items with the help of traditional technology improved to some extent here and there. In fact, the Seventh Five Year Plan document divides VSI Sector into two parts - traditional and modern small scale sector. Is this division correct and is it in accordance with our objective of improving the technology of the traditional artisans with the help of better tools and processes, particularly power wherever available? Can we not envisage a village blacksmith improving his skill and employing modern methods of bending, soldering and welding and producing goods and services which we term modern? We have seen some Blacksmith Cooperatives of Tamil Nadu producing steel furniture which looked modern in every respect. Similarly some Carpentry Cooperatives have produced rexine covered plywood suit-cases; some potters venture into white and glazed pottery and tiles of the Guna type. It must be remembered that the artisans of the village had an honoured place in the economy because they used to provide goods and services needed by the economy. If the shape of those goods and services have undergone a change due to economic forces, the artisans must be enabled to produce the goods and services now in effective demand. New types of seed drills, storage, bins, improved carts and other agricultural equipment introduced by the new agricultural technology must be produced

by the village artisans and the organisations under the umbrella of KVIC should be ready to provide the prototypes etc., for the purpose. Considering all these developments and the readiness of the village artisans to adapt themselves to modern designs, new raw materials and modern processes we believe that the time has come for the KVIC to further accelerate the process. In fact, KVIC should initiate further steps towards modernisation and help the artisans and their units to attain a higher scale of operations in due course through marketing support and other necessary assistance. KVIC should see its role as one of infusing modernity, diversification and entrepreneurship with a view to achieving higher scale of operations in the same manner as other organisations help the units in the tiny sector to graduate into SSI Sector and thereafter into the medium sector. Development being a continuous process, some overlap is inevitable and it is the duty of the active organisation to smoothen the transition and help the onward march. We believe that for this purpose the Government will do well to adopt a new definition for the village industries based on capital input per head of worker.

2.10 As regards the proposal to delete village industries from KVIC and to constitute a separate Commission, we believe that the premises on which the proposal has been made are faulty. We believe that such differences as exist between khadi and village Industries in regard to financing, training and marketing are more apparent than real. They need not stand in the way of taking a rational view in respect of each of them or developing each of them on the lines best suited to each. It may be true that in the early years when KVIC was dominated by khadi enthusiasts and the old registered institutions with long experience in khadi had a disproportionately larger voice in the affairs of the Commission, it did not pay sufficient attention to village industries. But the position has since changed. With the decline and stagnation in the production of khadi and the discovery that the village industries do not suffer from serious marketing problems and do provide an assured cash flow, institutions themselves have found it advisable and necessary to diversify. But the progress is not uniform. Our discussions in the field with the representatives of the institutions gave us the impression that they are no longer averse to diversifying their activities and taking up more and more village industries, provided that they are given necessary guidance, training and some help by way of technical personnel. Their response to our suggestion to prepare a time-bound plan for adding village industries was positive. The infrastructure and the band of constructive workers that these institutions have built up over the years in almost all the districts (433) and their rapport with the villagers in their jurisdiction are assets that should not be lightly set aside. When a large number of cooperatives were organised for taking up village industries and when the State Khadi and Village Industries Boards were encouraged to sponsor individuals also, KVIC had not reckoned with the speed and frequency with which these units would fall sick and the investment would become infructuous. When all is said and done, the registered institutions in the khadi sector have acquitted themselves fairly well despite innumerable difficulties. We think that prudent and practical considerations indicated that this organisational resource should be made full use of. After careful

consideration of all relevant factors, we have come to the conclusion that the balance of advantage clearly lies in continuing with the juxtaposition of khadi and village industries in the same organisation and taking sufficient precautions to see that persons nominated on the Commission do have empathy and ability for developing village industries.

2.11 While considering the idea of bringing handicrafts under the same organisational roof as a village industry, it is necessary to bear in mind the main features of the two subjects. While some of the important handicrafts are located in urban centres, village industries have to be necessarily developed in villages. We have, in fact, emphasised the need for paying greater attention to smaller villages by adopting cluster approach. A large percentage of handicrafts products enters the export trade, while markets for the products of village industries are to be found in local rural areas and selected urban centres in the country. It is true that even now khadi and gramodyog bhavans in metropolitan centres and other cities do stock and sell handicrafts of the superior kind. But a large number of bhavans in other up-country centres deal only in simple and less sophisticated items which have low value added content. These factors suggest that different policies, approaches and programmes may have to be followed for the development of these two items of industrial activities. So we advise caution in regard to the proposal to make one organisation responsible for both. Perhaps, the adoption of the new definition of village industries suggested by us will in due course bring under KVIC some of the rural based handicrafts producing simple items. This trend together with commercial eagerness of the metropolitan and city based bhavans of KVI institutions to increase their business in the sale of handicrafts of superior types may bring about some overlapping between the organisations promoting handicrafts and village industries. In our view, this is desirable. There is, therefore, no need to take a rigid view at this juncture and disturb the existing organisational set up.

2.12 It would be obvious that the village industries howsoever defined should be located in a village. According to the 1971 census the total number of villages was 5,75,936. Their distribution according to the size of the population is given in Table 2.

2.13 It would be seen that small villages, namely those with population below 1,000, account for 78.5 per cent of the total number and 37.9 per cent of the rural population. Those with population of 1,000 and above number 1,24,310 (21.5 per cent) and accounts for 62.1 per cent of the rural population. According to KVIC it has so far covered 1.5 lakh villages, but the sizewise breakup is not readily available. It is desirable that the Commission draws up a programme for covering all the villages by a particular date. Many of the villages, however, are so small that, taken individually, they would not provide a suitable base for economically viable KVI units. They should, therefore, be grouped in clusters which should be so selected as to ensure economic viability, as well as proper supervision/servicing by administrative agencies/KVI institutions. The former would be influenced, inter alia, by the size of population, level of development, mix of KVI units, and the

latter by distance between villages within a cluster. Since conditions vary considerably from one area of the country to another, it is not possible to give one single figure for the threshold population for the whole country. The attempt to provide economically viable projects would itself throw up appropriate sizes for different parts of the country. Considering the various factors, we recommend that the minimum size of the cluster may vary from a population of 1,000 to 5,000 depending upon the local conditions. The distance between the villages in the clusters selected should be reasonable enough for agencies/institutions to provide adequate management support. We recommend that all clusters of villages should be covered by the turn of the century.

2.14 In this connection, mention has to be made of the recent trend to prefer organisation of production in a workshop as contrasted with the production in dispersed cottages. In the special Area Scheme of Bijapur, we have seen as many as 600 NMCs operating under one roof. It was, no doubt, impressive and looked like a mini factory. The sanction of liberal assistance for building workshops under IRDP seems to have helped this process. In other places also the organisations and their supervisors have expressed preference for the workshop approach on the ground that unlike in the system of dispersing charkhas among cottages, this system helps in ensuring regularity of production, better quality, closer supervision and better technical guidance. This kind of organisation has brought in its train certain difficulties such as compliance with the Factory Act and Labour Laws. Separation of the artisans from the family atmosphere has brought its own problems in regard to infant care, participation by other members of the family and domestic duties. The question has also arisen whether the mini factory set up does help the most needy or whether it has a bias towards those who can free themselves from their domestic chores. No doubt certain village industries do require factory type of organisation. But the question is whether the universal preference of this method and the kind of reasons being advanced in its support should be encouraged as a matter of policy. We will express our views while we discuss the problems of each industry separately.

2.15 The next problem that deserves our attention is the role of KVIC vis-a-vis the implementing agencies in the field. KVIC is not only required to plan, organise and implement the programme of development of khadi and village industries but also provide funds by way of fixed capital and working capital and assistance in the form of research, training and technical guidance. There are three types of implementing agencies-Institutions registered under the Societies Registration Act, 1860 or similar State Acts, cooperatives and individual artisans. While a number of registered institutions are directly aided by the Commission, most of the cooperatives and all the individual artisans are assisted through the State Khadi and Village Industries Boards. Several of the directly aided institutions have been in the field long before the Commission itself was constituted and the State Boards became active. Table 3 gives the statewise distribution of directly aided institutions at the beginning of each decade since the formation of the KVIC and in 1983-84.

2.16 Of late, there has been a spurt in the number of directly aided institutions in the States of Uttar Pradesh and West Bengal. This is partly due to the enforcement of the policy to break up mammoth organisations into separate decentralised units with a view to developing new leadership and partly due to political pressures. The latter reason was particularly at work in West Bengal, in the decade beginning 1980-81. In some States, there seems to be a general belief that institutions exclusively engaged in khadi work should be in the directly aided list while those that combine village industries with khadi work might have the choice of being served by the State Khadi and Village Industries Boards. Perhaps, Gujarat is the only State where as a matter of policy all the old institutions, whether engaged in khadi work exclusively or not were transferred to the jurisdiction of the State Khadi and Village Industries Board. During our visits to the States, the representatives of the directly aided institutions were unanimous in complaining about unconscionable delays in the sanction of schemes and release of funds. They cited instances in which despite agreement at the annual budget discussions, the Commission took a long time to convey sanctions, to complete documentation and to certify the fulfilment of various conditions imposed by the Central Office. They are invariably compelled to make visits to Bombay at considerable cost and inconvenience. They all pleaded for decentralisation and conferment of larger financial powers on the State Directors. Table 4 gives a sample of the delayed cases.

2.17 However, all the blame cannot be placed at the door of the KVIC. We discussed this matter with the officials of the KVIC who stated that the delay in release of funds to institutions mainly occurs as (i) the institutions do not furnish loan documents in time, (ii) legal documents such as equitable mortgage as well as hypothecation deeds are not executed in time, (iii) the conditions indicated at the time of budget discussions are not fulfilled and (iv) non-confirmation of cash balance as well as outstanding loan balances. Unless these minimum formalities are completed, it becomes difficult for the KVIC to release funds. We were also informed that Government releases funds in instalments. A sizeable amount is released in the last quarter of the financial year. As a consequence, KVIC is not in a position to release the full requirement of the institutions. We will consider in a later chapter if any improvements can be made to speed up releases of funds by the Government to the Commission and by the Commission to the field institutions.

2.18 Some State Governments and State Boards have also complained that as a result of a significant part of the programme in the State being serviced directly by the Commission, they have no overall view of the progress being made. The Government of West Bengal added a note of bitterness, saying that their representatives are not allowed even entry into the directly aided institutions which have become islands for all practical purposes. While one can understand the historical reasons for the system of direct aid by the Commission, it is difficult to appreciate indefinite continuance of this system or its expansion to cover new cases. There is some substance in the argument that to keep the State Khadi and Village Industries Boards in the dark about some of the old institutions is to deprive the former of the opportunities to spread the message of their example or learn from their experience.

2.19 On the Commission's side, there is evidence to show that 70 per cent or more of its time and energy is being spent on the routine work of scrutinising budgets and documents, fulfilling conditions and pursuing correspondence. The Standing Finance Committee which was thought of in the beginning as an expediting device has itself contributed to the delays in no small measure. For some years past, there is no distinction between the S.F.C. and the Commission for all practical purposes, as a result of the Commission's membership being limited to three. The massive amount of paper work that the S.F.C. system entails has to be seen to be believed. There is no practical reason why most of the cases cannot be cleared on file. If the Commission has to attach importance to speed rather than to form the law has to be amended. At present, the Commission's attention is being diverted from the much more important task of planning and organising development activities, training facilities and functions like marketing and research. The position may improve to some extent, now that the practice of scrutinising the budgets for two years at a time has been introduced. However we are convinced that the time has come for the Commission to free itself from the routine work as much as possible by adopting a viable alternative system. Considering that 75 per cent of its loan disbursements is in the nature of working capital, it would be desirable and appropriate to apply banking procedures and concepts to these disbursements. The Commission would do well to draw up a phased programme according to which directly aided institutions are first brought on to the banking procedures and transferred to the banks, themselves, and the State Boards in the second phase for servicing. An alternative system has been proposed, under which the registered institutions in each State form an Association and agree to perform common services including finance. In such an event it is said that KVIC will have to deal with a smaller number of large institutions directly. We shall discuss this matter in detail in a later Chapter. For the present, it is enough to note that the Commission's structure and procedures must be revamped suitably to provide for this change.

2.20 One of the points that the Commission has been highlighting for some years is the unsatisfactory response of some of the State Khadi and Village Industries Boards and their lackadaisical performance. A Model Bill circulated some time ago to the States has so far failed to evoke satisfactory response. While the State Governments are jealous of their rights and are not very amenable to suggestion to amend their Acts suitably for providing necessary control or influence to the Commission, they are keen on getting the funds from the Commission. In these circumstances, it is perhaps advisable for the Commission to explore the possibility of imposing conditions as part of the orders sanctioning funds and enforcing them strictly. In such an event initiative can be regained by the Commission in this matter.

2.21 We had earlier made a brief reference to the problems of coordination in para 1.26. The need for coordination is present at all levels. First, at the level of the Central Government, attempts were made from time to time for bringing about coordination by forming Committees, some times under the Chairmanship of the Minister of Industry. Chairmen, KVIC, All India Handloom Board, All India Silk Board, All India Handicrafts Board, and

Small Scale Industries Board were Members. These Committees did not meet regularly and could not come to grips with the practical problems of coordination. Chairman, KVIC is a member of several High Level Committees such as Central Advisory Council of Industry, Handlooms and Handicrafts Board, Small Scale Industries Board, Powerloom Board, CART, CASE, Central Advisory Committee for DIC, Central Advisory Council on Textile Industry, National Entrepreneurship Development Board and Credit Flow Committees of RBI, IDBI and NABARD. There is, however, no reverse association of the different bodies with the KVIC. For example, there is no representation from any of the other Boards or organisations in the Commission or in the All India Khadi and Village Industries Advisory Board. In practice, other Boards are not effectively exposed to the problems of Khadi and Village Industries and there is no forum where serious discussion in-depth can take place on the mutual problems and possible solutions can be pursued vigorously and systematically. For example, although the proposals to make handspun yarn fit for use by handloom weavers, to link some yarn spinning units with specific handloom centres, to undertake schemes for modernising the looms for higher productivity and other common problems were discussed on several occasions, no serious attempts have been made to evolve common solutions. Similarly, in the case of the Silk Board, there are issues like the supply of disease free laying, linkage between reeling units and cocoon markets and the search for improved tools like charkhas, reeling equipment etc. As regards IRDP and TRYSEM, the proposal of KVIC in 1983-84 to earmark 140 blocks for intensive work and to introduce procedures for facilitating the allocation of funds did not get off the ground as there is no forum for considering and solving such problems. The Ministry of Rural Development seems to think that the solution to all such problems lies in the transfer of KVIC to its control. Pending transfer, they had no suggestion to make. Perhaps, a beginning may be made by including the Ministry's representatives in the All India Khadi and V. I. Board. On the question of transfer of KVIC to the control of the Ministry of Rural Development, we are reluctant to take a dogmatic view. While we see a greater affinity between the subjects dealt with by KVIC and the subjects at present under the control of the Ministry of Rural Development, we are not confident that the problems of coordination will be automatically solved by the transfer and that new problems will not arise, particularly those relating to common production programmes involving technologically diverse units. There are also other subjects like Handlooms, Sericulture and Handicrafts which will still be left under different Ministries. Prudence indicates the advisability of devising suitable forms and procedures for developing a responsive interface between different agencies that work for rural industrialisation.

2.22 The problems of coordination are even more acute at the State, District and Block Levels. We have found, where the Collector of the District was conscious of the need for utilising the available resources in a coordinated manner, excellent results have occurred. The experience of the Special Area Programme of Bijapur District provides useful lessons in this matter.

2.23 As a supplement to drought prone area programme started by the Karnataka State Government, KVIC formulated a special programme for intensive development of khadi and village industries in Bijapur district. KVIC prepared an action plan in which the State Government (DRDA), the State Khadi and V. I. Board and the directly assisted institutions of the KVIC participated. The programme was launched in August, 1981. The programme envisaged provision of employment opportunities to rural folk almost throughout the year on a regular basis by introduction of cotton khadi and selected village industries. The programme was dovetailed with the assistance available under TRYSEM, IRDP and DPAP schemes. The action plan proposed introduction of 300 NMC composite units, proportionate number of looms, worksheds etc. to provide full time employment to about 14,000 persons below the poverty line during the Sixth Plan period. In addition, the programme for three selected village industries-leather, carpentry and blacksmithy and village pottery—were taken up. DRDA provided stipend amount under TRYSEM and also managerial assistance to the local institutions to arrange training for selected artisans. KVIC provided initial funds to implement the agreed programme finalised annually. DRDA provided subsidy component as per the IRDP norms to the implementing institutions which is repaid to the KVIC. In 1984-85 the Bijapur programme provided employment to 4,928 artisans in Khadi and their production was Rs. 69.47 lakhs. The scheme has created some impact in the district and it has become possible for the KVIC to involve the State Government and the State Board in implementation of the programme. The Bijapur programme thus constitutes an important landmark in implementation of KVI programmes. However, it was observed that compared to the target, the programme indicated a shortfall of 67 per cent. Secondly, it was not possible to involve the institutional financing agencies in implementation of the programme. One cannot expect KVIC to provide fund of this order for one single district. Unless institutional finance is made available, the programme on these lines cannot be taken up in other States. Thirdly, the success of the programme would largely be attributed to the initiative of the officials of local DRDA whereas in other States this has not been forthcoming. Further the programme has largely remained confined to cotton khadi with NMC. The progress of village industries appears to be insignificant. One single activity cannot be expected to generate employment of sizeable order. Of late, the Bijapur programme has been experiencing difficulties in weaving of all the yarn into cloth locally and in disposing of the khadi. This raises the larger issue of creating adequate arrangement for marketing of the product. It is not enough to launch employment programme and to undertake production. It is equally necessary to make suitable arrangement for improving the quality of the product and effecting sales. It is also observed that the Bijapur programme remain confined to Bijapur only. Even in Chitradurga district in Karnataka where attempts were made to tie up with Regional Rural Banks for institutional finance, the programme could hardly take off. Fortunately, in Bijapur, institutional infrastructure was available whereas in the absence of such infrastructure in Chitradurga district, KVIC experienced difficulties. There are also signs that if labour laws are applied rigidly, the institutions may not be able to cope with the problems that will arise.

2.24 During the Sixth Plan, it was visualised that under IRDP 50 beneficiaries per block per year would be covered under the KVI sector. Subsequently, KVIC decided to implement the programme in a few selected blocks to enable the KVIC to implement the limited programme. The Ministry of Rural Development issued revised guidelines (Government Notification No. 11015/2/82-TRG dated 13th November 1982). However, due to procedural problems in linking up the programmes with the programmes of DRDA, difficulties in arranging institutional credit for the institutions which agreed to take up the programme on the above lines and difference in the pattern of assistance adopted by KVIC and DRDA, even the limited programme could not be taken up.

2.25 In the light of the experience gained in the implementation of the area programmes in Bijapur district, Rae Bareilly and Sultanpur districts, and the failure in the Sixth Plan to persuade the Ministry of Rural Development to allocate 140 Blocks to KVIC, KVIC formulated a new approach for the Seventh Plan. KVIC decided to select one district each in 20 selected states to undertake KVI programmes in an intensive manner (average 15 blocks per district). Normally the district would preferably be drought prone area, backward area, hilly region, tribal area and no industry district. In each block, the programme with two NMC units with matching weaving facility and 200 village industries units was proposed to be organised. The financial outlay for khadi would be Rs. 8.46 lakhs (Rs. 5.02 lakhs capital expenditure loan and Rs. 3.44 lakhs working capital loan), for village industries, a provision of Rs. 20 lakhs (at the rate of Rs. 10,000 per village industries unit for 200 units per block) was proposed. Thus the aggregate outlay for both khadi and village industries per block would be Rs. 28.46 lakhs. The total outlay for the Seventh Plan period for 20 districts would be of the order of Rs. 85.38 crores. It is estimated that 1/3rd of this provision would be in the shape of subsidy admissible under IRDP. Since this programme was not included in the Seventh Plan, KVIC proposed to the Government provision of additional budgetary support of Rs. 57 crores. It is estimated that employment to 80,000 beneficiaries would be provided. KVIC would be providing the required technical support for implementation of the programme. It would also make arrangement for supply of raw materials as well as disposal of finished goods. The sales rebate would be provided from the normal programme. TRYSEM funds would be provided for the purpose of training. The beneficiaries under the programme would be all below the poverty line. *Prime facie*, this scheme deserves all support. We recommend that Government should find ways and means to utilise the experience and expertise of KVIC in promoting village industries under the anti-poverty programmes like TRYSEM and IRDP and for this purpose to bring about coordination between DRDA and Ministry of Rural Development on the one hand and the KVIC and the State KVIBs on the other as has been successfully demonstrated in Bijapur.

2.26 Last but not the least is the role of the KVIC as the main spokesman of the KVIC sector at the national level. It is required to take up the cause of the large number of artisans dispersed all over the country, focus attention on their problems and bring pressure on the authorities for evolving suitable policies. In fact, we had noted in para 1.9 that the First

Five Year Plan document made a specific reference to this aspect while recommending the constitution of a body at the national level for looking after khadi and village industries. It is in fulfilment of this role that the Commission has been pursuing with Government question such as supply of finance at concessional rates, grants of subsidies for specified purposes, sanction of rebates on sales etc. It has also been operating a People's Education Programme with a view to bringing about greater understanding of the problems of this sector, particularly the need for Central and State Governments adopting policies in the nature of positive discrimination. We believe that there is a great deal more to be done in this direction. The experience of the Commission shows that the Government policies hitherto followed on matters like reservation of certain products for KVI sector, the evolution and enforcement of a common production programme and the implementation of the concept of purchase preference by Governmental agencies, contains many loopholes and that steps have to be taken to plug them. It has also been observed that the attempts in some areas to apply to the KVI sector labour laws, enacted primarily with the organised sector in view, have created serious problems for the institutions in charge of khadi and village industries. The organisational structures evolved for the KVI sector cannot be compared with exploitative structures of the organised sector. The practices that are followed in these two sectors are not also the same. Further, employment in KVI sector does not always conform strictly to the employer - employee pattern. It appears appropriate that these essential differences between the two sectors are borne in mind while regulating labour matters. There is a clear case for adopting different procedures and rules for safeguarding the legitimate interests of the artisans in the decentralised sector. We propose to go into all these matters in detail in a later Chapter. Here, we would only recognise that one of the main issues before the Commission in future will be to equip itself to fulfill its role as the premier spokesman of the interests of the artisans. Obviously, it will have to revamp its People's Education Programme and focus its attention on different groups at the policy making level, such as legislators, administrators, planners, economists, scientists etc. This programme has to be sensitised to the urgent needs of the artisans and the organisational peculiarities of this sector.

TABLE 1 (Para 2.5)

VILLAGE INDUSTRIES

Industry	Brief description of the improvement	Research Institution responsible for the improvements	Year of introduction	Impact on Productivity/Wage
LIME INDUSTRY				
(1)	Introduction of improved lime kilns (for calcining limestone) with refractory lining in the output capacity ranges of 1, 3, 5 and 10 tonnes/day.	Technical Extension Service Centres at Mohol, Sholapur (Maharashtra) and Dehra Dun (U.P.). Under Lime Directorate.	1972-73	Less fuel consumption, efficient calcination and increased thermal efficiency thereby enabling the economic production cost. Less health hazard due to increased height of the shaft. Continuous in operation increased returns due to the quality produce.
(2)	Introduction of improved lime kiln (for calcining lime shells) with refractory lining and force draught arrangement in the output capacity ranges of 1, 3, and 5 tonnes/day.	Technical Extension Service Centre, at Kottayam (Kerala) under Lime Directorate.	1972-73	Less fuel consumption, efficient calcination and increased thermal efficiency thereby enabling the economic production cost. Less health hazard due to increased height of the shaft. Continuous in operation increased returns due to the quality produce.
(3)	Introduction of an economic masonry binder (LYMPO) using lime and pozzolonic materials. This replaces the cement in light civil engineering works thereby preserving the scarce and costly cement for heavy scarce civil engineering works.	J.B.C.R. Institute, Wardha (Maharashtra) and T.E.S. Centre, Mohol (Maharashtra).	1974-75	Enable decentralised manufacture of the product with indigenous technology know how and local raw materials.
(4)	Introduction of writing chalk (Crayons) substituting 70% plaster of paris with lime.	Technical Extension Service Centre, Mohol (Maharashtra).	1975-76	

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
(5)	Introduction of firewood for calcining limestone.	Technical Extension Service Centre, Mohol, Sholapur (Maharashtra).	1971-72	—
(6)	Introduction of prefabricated building component by substituting cement with lime.	Technical Extension Service Centre, Mohol, Sholapur (Maharashtra).	1971-72	—
(7)	Introduction of lime based dis-temper as diversification of the products.	J.B.C.R. Institute, Wardha (Maharashtra).	1985-86	—
30 PCP INDUSTRY				
(1)	Ball bearing used for stone paddy chakki and atta chakki.	Departmentally	1957-58	Increased production and wages more than double at traditional method.
(2)	Winnowing fan	Private	1958-59	More than traditional method.
(3)	Emery stone paddy chakki.	M/s. Sabbo Industries, Kushaman Road, Rajasthan.	1959-60	More than traditional method.
(4)	Pestle and Mortar, Dhenkis.	Departmentally	1959-60	—
(5)	Power paddy dehusker polisher	Private C & B Workshop	1968-69 1974-75	200 Kg. per hour.
(6)	Under runner	J.B.C.R.I., Wardha	1982-83	Easy to operate 75 Kg. per hour.
(7)	Rubber roll paddy dehusker	Under S & T Programme	1985-86	Recovery is more 500-600 Kg. per hour.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
NEO AND SOAP INDUSTRY				
	Seed Processing Power operated decorticator, Sieving and Depulper	J.B.C.R.I., Wardha	1973	2½ times more of input capacity achieved.
	Oil Extraction 9 volt expeller introduced for N.E. Oil seed pressing	Directorate of Soap under S & T Project	1981-82	Crushing capacity increased to three times.
	Solvent Extraction 10 ton capacity continuous solvent plant by Desmet & Co.	Directorate of Soap under S & T Project, R & D work	1984-85	Extraction of oil from seeds with less oil content like sal, dhupa and residual oil in cakes.
	Utilisation of Neem & Other NE Oil Cakes Utilisation of neem and its Bye products i.e. lipid associate	Directorate of Soap under S & T Project, R & D work	1969-76	Urea blended with Neem cake enhanced yield of crop and control of leaching.
	Isolation of lipid associates of Neem Oil Liquid-Liquid extraction of neem bitters from neem nahor and undi oil	J.B.C.R.I., Wardha	1967	Pest Control and anti repellent preparation for various pests.
	Laundry Soap Conical overflow pan for soap making	Directorate of Soap R & D Work	1966	Production capacity increased by 1½ times and quality soap

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
Toilet Soap Base				
	Steam boiling for manufacture of neat soap and steam drying and pan with platform and chipping machine for getting proper size of soap noodles for drying and for feeding the toilet soap manufacturing unit	Directorate of Soap, R & D, Work	1978	Quality product for toilet soap achieved, drying by steam/electricity to avoid auto-oxidation and elimination of foreign dust etc.
Toilet Soap Machinery				
	Amalgamator, Milling and Plodder	R & D work of NEO Directorate	1981	To produce quality toilet soaps on small scale.
POTTERY				
Introduction of :				
	(1) Improved potter's wheel with ball bearings hand operated	Directorate of Pottery through Central Village Pottery Institute, Khanapur	1954-55	Reasonable increase in productivity and wage achieved due to all these improvements.
	(2) Shaila Electric Potter's Wheel	Directorate of Pottery through M/s. Wireless Amateurs, Ichalkaranji	1967-68 period	—
	(3) Improved brick kilns	Through Central Village Pottery Institute, Khanapur	1955-65	—

The above are improvements in equipment only. There are other improvements made to product diversification processing etc. which have helped in increasing productivity/wages. Introduction of Earthen pipes for irrigation and drainage. Special innovations like, Gramscena Sheetaks, Water filters, Magan (Smokeless) Chulas etc. Introduction of washing of clay for better quality product. Introduction of simple (low temperature) glazing on red clay articles.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
BEEKEEPING				
	Improvement in performance of Indian honey bees	Central Bee Research Institute, Pune	1976-77 to 1980-81	The improved strains of honey bees help in increasing per capita productivity. They have better prolificacy, disease resistance and better honey gathering qualities etc.
	Assessment of honey bees in increasing crop yield	Central Bee Research Institute, Pune	1976-77 to 1980-81	It is successfully experimented and proved that bees as pollinators help increase crop yield. Because of collination there is improvement in yield of agricultural produce, horticultural harvest, better crop in plantation and orchards.
	Bee plant test garden and nursery	Central Bee Research Institute, Pune	1976-77 to 1980-81	Plants useful to bees are sorted out and their relative merits to improve honey production are confirmed.
	A scientifically designed honey processing unit is introduced after successful field trials	Central Bee Research Institute, Pune	1976-77 to 1980-81	—
HANDMADE PAPER				
Machinery & Equipment				
	(1) Rag chopper for cutting cotton rags	Field trials by the technical staff under the advise of HMP Directorate	1965	Productivity increased four times and wages offered 25% more.
	(2) Beater : Improved design of trough	Field trials by the technical staff under the advise of HMP Directorate	1965	Beating capacity increased by 50% which ensured 25% increase in wages to beaterman.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
	(3) Suction Vat : For manufacture of very high grammage and dense board creating vacuum for draining water	Field trials by the technical staff under the advise of HMP Directorate	1975	It has become possible to produce highly thick Boards from leather shavings etc. Production increased several folds in respect of such Boards. Wages increased by 50% in Vat Section.
	(4) Hydraulic press : To press the wet sheets at uniform pressure and squeeze out more water	Field trials by the technical staff under the advise of HMP Directorate	1970	This has indirectly helped in paying higher wages to the workers.
	(5) (a) Calendaring Machine : Reduction gear drive with reversible starters for glazing of paper	Field trials by the technical staff under the advise of HMP Directorate	1975	Drudgery of work minimised enabling the workers to glaze about 50% more No. of sheets.
	(b) Friction glazed calender : for imparting extra smoothness to the paper/board under a little moist condition (under trials)	Field trials by the technical staff under the advise of HMP Directorate	1978	Diversification of industrial varieties such as insulation paper, art paper possible.
	(6) Cylinder Mould Vat: for production of more uniform and large size sheets	Field trials by the technical staff under the advise of HMP Directorate	1980	Productivity has increased two folds and wage by about 50%. The machine is yet to be adopted. However, field trials are in progress.
Raw Materials & Chemicals				
	(1) Utilisation of base fibres manufacture of decorating papers	Field trials by the technical staff under the advise of HMP Directorate	1975	Popularising the craft in Hill & Border areas

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
GUR & KHANDSARI INDUSTRY	(2) Utilisation of office record waste by deinking the material	Field trials by the technical staff under the advise of HMP Directorate	1980	Production increased several folds in traditional Kagazi units.
	(3) Utilisation of whole banana stem for making thick panel board	Field trials by the technical staff under the advise of HMP Directorate	1985	Application of the process in the field is in progress. Totally waste raw material will be put to use in the rural areas.
	Work done under S & T projects (1) Development of extrusion principle for juice extraction from sugarcane was attempted in one S & T project, but the results were inconclusive The results could not be taken to the field as the results were inconclusive.			
PALMGUR INDUSTRY	(2) Improvement in existing Bullock Driven Crusher or low capacity power Driven crusher by incorporating cane preparatory device	National Sugar Institute, Kanpur and subsequently Kisan Krishi Yantra Udyog, Kanpur	Work attempted in 1976-77 but the project discontinued	On trial runs 4 to 5% increase in juice extraction was noted. However, pilot units are yet to be tried in the field. The work is in progress.
	1. Climbing of palms			
	(1) Aerial rope ways for climbing Palmyrah Palms and Bamboo ways for climbing Date palms	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Tapping capacity increased by 50% but these are yet to become popular.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
2. Tapping				
	2.1 Improved Techniques of alternate day tapping	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Yield and quality improved.
	2.2 Subjecting poor nut-yielding coconut to tapping with a view to increase nut yield	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Poor nut yielding coconuts became medium nut-yielders, i.e. 50 nuts per tree per year.
	2.3 Proving that incidence of pests on coconut does not have any link with tapping	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960	Tapping does not have any relation with pests.
	2.4 Improving the efficiency of tapping tool	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	High carbon steel with oil-tempering improved the quality of tapping tools.
3. Collection of Juice				
	(3) Treatment of collecting pots by wax coating and lacquering	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Lacquering of pots was found to improve the quality of juice.
4. Preservation of Juice				
	4.1 Physical method like chilling	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Pre-heating cum chilling preserves Neera for 72 hours and freezing preserves for 7 days. Chilled Neera preserves for over 12 hours. Use of SO ₂ method preserves Neera for 18 hours. However, this is yet to be popularised on commercial scale.
	4.2 Neera catering using coolers Deep-Freezers, and insulated boxes using flash chilling methods	—	—	
	4.3 Chemical methods of preservation of Neera	—	—	

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
5. Furnaces & Pans				
	5.1 To economise fuel consumption by various designs of furnaces/Bhatties	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Fuel and time saved. 80% to 90% of fuel on weight of juice. Fuel consumption reduced to 60-70% on raw juice.
	5.2 Solar heat utilisation	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Solar heat was used upto the stage of neera concentration. But for gur making at final stage solar energy was found to be inadequate. Colour of gur was good. The organic flavour of gur remained. Work was inconclusive.
6. Juice Clarification				
	6.1 Double deliming process developed using super phosphate or phosphoric acid	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	This standardised process resulted in high purity of clarified juice, low mud volume minimising sugar losses, enables quick and efficient settling.
7. Storage of Gur				
	7.1 Preservation of Gur under humidity control for preventing melting	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Gur can be preserved well when R. H. Less than 60%
8. Sugar Boiling				
	8.1 Open pan method for making good quality palm sugar with better yield	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Open pan method is gradually accepted by field level agencies for palm sugar production.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
9. Candy Making				
	9.1 'U' shaped crystalisers with parallel threadhangers for candy making	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Better and regular shaped candy crystals are obtained and the method is extensively popularised in the field.
10. Aerated beverage				
	10.1 Using palm sugar for making aerated beverages, with a view to diversify palm products to cover off-season	Pilot stations of B. T. G. S. Bhavan of the KVIC	1960's	Palm sugar based aerated beverage concentrates are made and soft-drinks made out of palm sugar are being popularised.
11. Palm Fibres brush making				
	11.1 Composite table Top palm fibre brush making unit has been standardised based on work-study method	Central Palmgur and Palm Products Institute, Madras	1983	The unit is gradually getting popular in the field.
12. Palm leaf utility goods				
	12.1 Palm leaf visiting cards	Central Palmgur and Palm Products Institute, Madras	1983	Slowly being popularised in the field.
13. S & T Project				
	13.1 Work on (i) palm juice preservation (ii) candy making by other than 'U' shape crystalisers and (iii) work on standardisation of sugar making equipment were undertaken under these three S & T projects the results of which are inconclusive. The work needs to be continued trying other methods.	Central Palm Gur and Palm products Institute Madras and the D.T. Centre, Dahanu		Regarding juice preservation, filtration media tried but inconclusive. In candy rotary and stationary crystalisers fabricated and tried but results inconclusive in palm sugar project the data collected at Madhavaram, Madras not encouraging in regard to viability but chance of such trials at a place where palm grows area available for least cost of production. Work since discontinued.

Industry	Brief description of the improvements	Research Institution responsible for the improvements	Year of introduction	Impact on productivity/Wages
VILLAGE OIL INDUSTRY	Introduced overhead drives for operating ghanis	J.B.C.R.L., Wardha	1970-71	Due to introduction of electricity to operate the village ghanis the yield increased by 1% and the daily earning increased by Rs. 8 to Rs. 10 per day.
	Portable Power Ghani	Directorate of VOI with the assistance of Dahamu Workshop, a KVIG Unit	1981-82	Yield in this ghani has gone up by 5% when compared to overhead power ghani mentioned at Sl. No. 1 above. The earning also increased by 10% and daily average earnings is about Rs. 25 to Rs. 30. It can be shifted from place to place occupying less space.
	Portable Overhead Power Ghani	Directorate of VOI with the assistance of Ambar Saraujam Bhandar, Ahmedabad, a KVIG Unit	1985-86	With overhead machinery this is fabricated. In this ghani the motor is static and the pestel rotates. It is still under experimental stage. The experiments are expected to be completed by the end of this year.

Sr. No.	Name of the implement	Brief description of implement	Name of the institution/organisation devised	Year of Introduction	Remarks impact on productivity/wages
KHADI					
A. Cotton Khadi					
1.	Coimbatore Model : 6-Spindle NEW MODEL CHARKHA (NMC) alongwith processing unit consists of Beater, Sliver Card, Draw Frame and 4 Spindle Fly Frames.	Charkha is devised by adopting ring spinning principle having three roller apron drafting alongwith top arm weighing arrangement. Pre-processing set for conversion of ginned cotton into small strands (rovings). This Charkha can be used for medium and fine counts.	M/s. IRIS Engineering works, Coimbatore and Instrumentation Section KVIC, Coimbatore.	1965-66	This can be operated for Poly-vastra.
2.	Rajkot Model : 6-Spindle New Model Charkha (NMC) alongwith pre-processing unit consists of Beater, Poorva Pisai and 4-Spindle roving belni.	Charkha is devised by adopting ring spinning principle having three roller apron drafting alongwith top arm weighing arrangement. Pre-processing set for conversion of ginned cotton into small strands (rovings). This Charkha can be used for medium and fine counts.	Coimbatore Model was modified by Saurashtra Rachanatmak Samiti, Rajkot with the Technical guidance of Khadi Gramodyog Prayog Samiti, Ahmedabad.	1966-67	"
3.	12-Spindle Charkha	Charkha is devised by adopting ring spinning principle. It is pedal operated. Thereby both the hands of operator are free to attend to spinning activity of 12-Spindles and the operator can attend to breakage without stoppage of other spindles. This charkha can be used for medium and fine counts.	M/s. IRIS Engineering Works, Coimbatore. The funds were made available by KVIC.	1972-73	—
4.	10-Spindle Charkha	This Charkha is also pedal operated and is suitable for coarse counts of yarn. The yarn is directly spun from sliver.	M/s. IRIS Engineering Works, Coimbatore. The funds were provided by KVIC.	1983-84	—

Sr. No.	Name of the implement	Brief description of implement	Name of the institution/ organisation devised	Year of introduction	Remarks impact on productivity/ wages
5.	Pot Charkha	Pot Charkha is a single roter spinning frame with roller drafting system, having twisting arrangement through rotating pot (dabba). The yarn is directly spun from sliver.	Khadi Gramodyog Prayog Samiti, Ahmedabad.	1983-84	—
6.	Muslin Charkha Unit with Otni and Belni.	This charkha is also devised on the principles of ring spinning with four roller high drafting system. This charkha is meant for spinning of superfine yarn. This is a composite unit having one spindle for roving preparation.	Late Kalicharan Sharma Veteran Khadi Worker Muslim Katai Mandal, Khagra.	—	—
7.	Fancy Doubler	The charkha is devised to produce shodi doubled yarn which would be used to manufacture tapestry, bed covers and other fancy cloth.	Khadi Gramodyog Prayog Samiti, Ahmedabad.	To be introduced in the field	—
8.	Sevagram Loom	It is improved loom with high rate of pick insertion capacity.	Design Research, Extension and Training Centre, KVIC, Wardha.	1969-70	—
9.	Nepali (Semi-Automatic)	Semi automatic loom which is popularly known as Nepali loom is modified to weave khadi cloth by using handspun yarn. It is pedal operated.	M/s. IRIS Engineering Works, Coimbatore and Instrumentation Section KVIC, Coimbatore.	1984-85	—

Sr. No.	Name of the implement	Brief description of implement	Name of the institution/organisation devised	Year of introduction	Remarks impact on productivity/wages
B. WOOLLEN KHADI					
1.	Small Carding Machine	There are two machines; opening of raw wool and another to separate the fibre individually (carding). The capacity per day is 25 kgs. which is suitable for institutions working in remote and inaccessible areas.	Khadi Gramodyog Prayog Samiti, Ahmedabad under the guidance of Director(Woolen Khadi) KVIC.	To be introduced in the field.	—
2.	4-Spindle Woollen Charkha	The Charkha is devised on the principle of worsted system. It is useful to produce medium to fine counts of yarn by using wool tops (Combed wool)	Khadi Gramodyog Prayog Samiti, Ahmedabad under the guidance of Director (woollen khadi), KVIC.	1981-82	—
3.	6-Spindle Woollen Charkha	The Charkha is devised on the principles of woollen system. It is useful to produce coarse and medium counts of yarn by using condensor (roving or slubbings)	Khadi Gramodyog Prayog Samiti, Ahmedabad under the guidance of Director(Woolen Khadi), KVIC.	To be introduced in the field.	—
C. Silk Khadi					
1.	Spun silk charkha along with preprocessing unit, consisting of fillet drum, lap and tape making.	6-Spindle NMC is modified to spin silk (waste silk). The P.P. set is used to convert waste silk into the roving.	Design Research Extension and Training Centre, KVIC, Wardha.	1979-80	—

TABLE 2 (Para 2.12)

Population of the village	No. of villages	Percentage of total number of villages	Percentage of population to total population
Less than 200	1,50,072	26.1	3.5
200- 499	1,68,561	29.3	12.9
500- 999	1,32,990	23.1	21.5
1000-1999	81,973	14.2	25.8
2000 and above	42,337	7.3	36.3
Total	5,75,933E	100.0	100.0

Note : E(1) Excludes three villages of Manipur, the details of which are not available.

(2) The above figures refer to villages only (i.e. having population less than 5,000).

(3) An urban area is defined as follows :

(a) All places with a Municipal Corporation, Cantonment Board of notified town, Area committee etc.

(b) all other places which have :

(i) a minimum population of 5,000.

(ii) at least 75 per cent of male working population engaged in non-agriculture pursuits, and

(iii) a density of population of at least 400 persons per sq. km.

Note : Comparable data relating to 1981 census is not available.

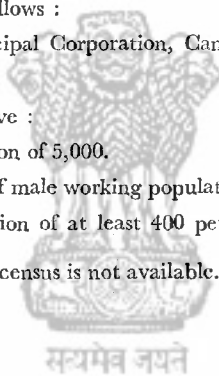


TABLE 3 (Para 2.15)

STATEWISE DISTRIBUTION OF DIRECTLY AIDED INSTITUTIONS

(Number)

Sr. No.	States and Union Territories	KHADI			
		1960-61	1970-71	1980-81	1983-84
I. STATES					
1.	Andhra Pradesh	19	33	27	29
2.	Assam*	4	21	35	36
3.	Bihar	18	29	48	46
4.	Gujarat	40	5	2	2
5.	Haryana	—	—	—	—
6.	Himachal Pradesh	—	—	—	—
7.	Jammu and Kashmir	1	1	4	6
8.	Karnataka	33	24	24	23
9.	Kerala	32	13	14	14
10.	Madhya Pradesh	32	29	32	31
11.	Maharashtra	41	27	32	36
12.	Manipur	—	—	—	—
13.	Meghalaya	—	—	—	—
14.	Nagaland	—	—	—	—
15.	Orissa	4	15	14	12
16.	Punjab@	8	29	29	33
17.	Rajasthan	37	45	45	44
18.	Sikkim	—	—	—	—
19.	Tamil Nadu	14	12	67	62
20.	Tripura	—	—	—	—
21.	Uttar Pradesh	44	141	119	146
22.	West Bengal	28	37	29	75
TOTAL I		355	461	521	595
II. UNION TERRITORIES					
	Delhi	5	1	1	8
TOTAL II		5	1	1	8
TOTAL I+II		360	462	522	603

* : Assam, Manipur and Tripura

@ : Includes H.P. and Haryana.

Note : Some Khadi Institutions also undertake V.I. Programmes.

TABLE 3—(Contd.)

STATEWISE DISTRIBUTION OF DIRECTLY AIDED INSTITUTIONS

(Number)

(iv number)

VILLAGE INDUSTRIES

Sr. States and Union Territories
No.

1965-66

1970-71

1980-81

1983-84

I. STATES

1. Andhra Pradesh	42	41	42	45
2. Assam	6	9	34	38
3. Bihar	21	18	51	51
4. Gujarat	26	15	5	5
5. Haryana	—	—	10	11
6. Himachal Pradesh	—	—	4	6
7. Jammu and Kashmir	6	4	2	3
8. Karnataka	80	41	31	32
9. Kerala	44	33	9	12
10. Madhya Pradesh	103	79	34	40
11. Maharashtra	72	69	41	65
12. Manipur	—	30	20	16
13. Meghalaya	—	—	1	2
14. Nagaland	—	—	2	7
15. Orissa	12	12	13	14
16. Punjab	22	15	18	22
17. Rajasthan	38	15	32	37
18. Sikkim	—	—	1	1
19. Tamil Nadu	42	38	72	73
20. Tripura	—	—	3	3
21. Uttar Pradesh	147	62	122	150
22. West Bengal	58	65	47	67

TOTAL I

719

546

594

700

II. UNION TERRITORIES

1. Chandigarh	—	—	2	1
2. Delhi	—	19	11	16
3. Goa, Daman and Diu	—	—	—	9
4. Mizoram	—	—	—	2
5. Pondicherry	—	—	—	1

TOTAL II

—

19

13

29

TOTAL I + II

719

565

607

729

Note : Some V.I. Institutions also undertake Khadi Programme.

TABLE 4 (Para 2.16)

STATEMENT SHOWING THE DETAILS OF BUDGET DISCUSSIONS, SFC SANCTION, SUBMISSION OF LOAN DOCUMENTS AND RELEASE OF FUNDS TO DIRECTLY AIDED INSTITUTIONS

Sr. No.	Name of the Institution	Budget Meeting held on	SFC Sanction received on	Loan documents received by S.O.	Loan documents forwarded on	Date	Amount received by the institution
1.	Grama Swarajya Sangham, Gooty, Ananthapur	January '84	11-06-84	5-01-84	18-01-84	29-03-85	2,58,250
2.	A.F.K.K. Sangham, Ponduru, Srikakulam Dist.	January '84	24-05-84	—	1-05-84	17-04-85	6,250
3.	S.J.N.K.K. Sangham, Srikakulam	January '84	20-07-84	27-09-84	29-11-84	19-04-85	1,000
						3-04-85	6,000
						29-03-85	4,17,000
						9-04-85	50,000
						12-04-85	1,20,000
						29-03-85	10,000
						29-03-85	6,750
4.	Grama Swarajya Sangham, Tuni	January '84	20-07-84	—	1-05-84	24-04-85	24,500
5.	Kethanur Sarvodaya Sangham (T.N.)	20-01-1984	20-07-84 CK	—	11-05-84	3-07-85	2,87,250
6.	Ramnad East Sarvodaya Sangham (T.N.)	21-12-1983	17-09-84 CK	—	11-05-84	8-07-85	2,94,000
7.	Madurai West Sarvodaya Sangham	22-12-1983	24-07-84 CK	—	11-05-84	8-07-85	4,590
8.	Tamilnadu Gandhi Smarak Nidhi	20-12-1983	24-08-84 SK	—	11-05-84	26-11-84	13,000
9.	Gandhiniketan Ashram	22-12-1983	24-08-84 CK	—	11-05-84	8-07-85	2,27,000
10.	Tuticorin Sarvodaya Sangh	21-12-1983	26-07-84 CK	—	11-05-84	28-06-85	6,54,000
11.	Ramnad Central Sarvodaya Sangh	21-12-1983	6-08-84 SK	—	11-05-84	22-08-84	1,80,000
12.	Nambiyur Sarvodaya Sangh	21-01-1984	26-09-84 CK	—	11-05-84	8-07-85	4,48,000
13.	Ambasanudram Sarvodaya Sangh	24-12-1983	25-07-84 CK	—	11-05-84	28-06-85	7,71,000

CHAPTER 3

ORGANISATION FOR THE FUTURE — NATIONAL LEVEL

In the light of the discussion in the two preceding Chapters, we may now outline the organisation which in our view is appropriate for the future.

3.2 In view of the national commitment to actively promote employment opportunities in the non-farm sector for the rural poor, particularly the new entrants into the labour force, as reflected in the perspective outlined in the Seventh Five Year Plan document, it should be our endeavour to cover all viable clusters of villages before the end of the century by Khadi and Village Industries of all kinds and build, for the purpose, a network of competent institutions at the national, State, District, Block and village levels. This involves two kinds of measures : first, the revamping of the most important part of khadi, the hand spinning of yarn and the expansion of the scope of village industries to include all kinds and second, coordination of the efforts of all concerned agencies, governmental and non-governmental and banks, consistently with the imperatives of evolving technology, competing production systems, changing markets, social needs and other relevant factors.

3.3 In the choice of development programmes, the national organisation should be guided by three objectives viz. :

- (a) to create employment opportunities in the non-farm sector in the rural areas at wages/earnings which are, at the least, comparable to the prevailing levels of wages in the farm sector during the non-peak season;
- (b) to produce saleable articles or to provide services for which there is effective demand; and
- (c) to support rural development in its widest sense and to improve the quality of rural life.

3.4 In other words, khadi and village industries must be approached not merely from the sentimental or historical angle but in consonance with socio-economic considerations. We are convinced that hand-spinning, the most characteristic part of khadi, has of late revealed its potential, with the improvements made in the pre-processing stage and introduction of NMC and the modern trend for rough fabrics. The adoption of a market approach will help clarify issues in khadi as well as village industries. In the case of the latter we urge that those industries which are often classified as service industries as distinct from manufacturing industries should also be encouraged and modern tools and processes and electric power wherever available should be used without ideological inhibition in accordance with the market approach we have been stressing.

3.5 The Committee feels that a clear definition will help KVI Sector develop a distinct identity of its own, without the pejorative overtones of term like traditional. The following formulation may be considered : Village Industry (including Khadi) shall mean an industry which is located in a place with a population not exceeding 10,000 (or such other figure as may be prescribed from time to time), which produces goods or services, with or without the use of electric power, and in which the fixed capital investment per head of artisan/worker does not exceed Rs. 30,000, or such other sum as may be prescribed from time to time. However, any non-manufacturing facility or unit that may be located in a place with population exceeding 10,000 in connection with the sole purpose of promoting, maintaining, assisting, servicing (including mother units) or managing a village industry as defined, shall be deemed to be a village industry. While recommending the ceiling limit of 10,000 population, we are guided by the definition followed by the banking sector. As we are not writing on a clean slate and as our intention is not to disturb the existing institutions unduly, we have to make provision for exceptions. Accordingly, we recommend that notwithstanding the above definition, any unit recognised as a village industry prior to the date on which this definition comes into force, will continue to enjoy the status of a village industry irrespective of its location. It will continue to operate at the level already attained but further expansion at the existing location will not be eligible for special treatment or assistance applicable to a village industry. Before suggesting the above ceiling figure for the fixed capital, we took into consideration the figures implied in the latest patterns of assistance approved by the KVIC for its sector. Table I gives the relevant figures in respect of each industry.

3.6 We considered the desirability of prescribing an overall ceiling for investment at one location in the light of limited resources, need to avoid concentration and our emphasis on a plan for covering all clusters of villages by the end of the century. We have come to the conclusion that the fixation of a rigid ceiling is fraught with practical difficulties. In our view, it should be sufficient to lay down broad guidelines. Accordingly, we suggest that while sanctioning a scheme for a village or cluster of villages, the Commission should take into account the nature of activity, the scope for activities with lower capital cost and the actual fixed capital investment per worker envisaged for the scheme. For example, if it is a mother unit servicing other producing units such as soap base unit or sliver making unit a liberal view may be taken. At any rate, capital ceiling has to be calculated separately for each activity and not for all activities together of the sponsoring institution as a whole.

3.7 The national organisation should be free to undertake any activity that fulfils the criteria in para 3.3 and falls within the capital ceiling mentioned in para 3.5 without being restricted to a predetermined list as at present. As a consequence of this freedom, the national organisation is expected to develop capability for providing technical guidance and assistance to some new village industries in the manufacturing and service sectors and for building the backward and forward linkages for the artisans receiving financial assistance

under IRDP and other special anti-poverty programmes. The following new village industries may be cited by way of example :

1. Hosiery
2. Manufacture of candles
3. Papier Machie
4. Embroidery
5. Thread Balls and Cotton Fillings
6. Manufacture of Card Board Boxes
7. Umbrella Assembly
8. Zari Zardozi
9. Vermicelli and Macaroni
10. Stone Engraving
11. Batik Work
12. Tailoring
13. Jewellery
14. Clay moulding
15. Manufacture of Toys and Dolls
16. Ivory carving
17. Manufacture of Canvass Bags and Holdalls
18. Copper and Brass Artware
19. Dari and Carpet Weaving
20. Manufacture of Fountain Pens and Ball Pens
21. Perfumery and Cosmetics
22. Paper Stationery items including Book Binding
23. Wool Baling and Lachee making
24. Manufacture of Plastic and PVC products with one Moulding Machine of one K.W.
25. Manufacture of Surgical Bandage — Rolling Cutting
26. Pithwork-manufacturing of Pith Hats, Garlands and Flowers
27. Assembly and Repairing of Electronic items
28. Wood Carving and Artistic Wood Wares
29. Manufacture of Stove Pins, Safety Pins and Aluminium Buttons by hand press.

3.8 It will be readily conceded that the tasks listed above and the main problems identified in Chapter 2 are very much different in magnitude and character than the tasks

envisaged at the time of the establishment of the KVIC in 1957. There is thus a strong case for restructuring the KVIC and strengthening it suitably for meeting the challenges of the present and the future.

3.9 In paras 2.10 and 2.11 we have referred to the proposal to constitute a separate Commission for village industries and we have given our considered opinion that the balance of advantage lies in having one Commission for Khadi and Village Industries. Here we shall consider the desirability of adopting a new name for the national organisation in view of the enlarged role proposed by us. After careful examination of the pros and cons, we have come to the conclusion that there is no good reason for adopting a new name. We have not proposed the deletion of any industry that is now reflected in the name. We have only emphasised the commercial nature of khadi production and enlarged the list of village industries. Further, the acronym KVIC has acquired over the years a certain goodwill and reputation which it would be manifestly unwise to lose by taking on a new name. Image building is an integral part of market approach we have stressed. And we can hardly make a beginning in this direction by giving up a historic image.

3.10 KVIC needs to be restructured, keeping in view the latest situation, the new objectives and the future tasks. Nobody can assert that the situation in 1986 is the same as in 1957. While in the fifties emphasis was rightly placed on continuing the policies of AISA and AIVIA under the aegis of Government and for that purpose to involve the experienced Gandhians the need of the current decade and the next is to innovate, modernise and meet the challenges of the market and fast changing technology. We have drawn attention in Chapter 2 to the main issues that arise from those challenges and the need for leadership and guidance at the policy making level. It is not, therefore, adequate any longer to have a Commission entirely consisting of constructive workers, but to have a mixed group which will also include constructive workers and professionals, well-versed in their respective disciplines. It must be a cohesive body that can concentrate on high policy matters without getting bogged down in petty administrative details and personnel matters which usually bring in their train internal bickerings and a factitious atmosphere. The total number of members must neither be unduly large or small.

3.11 It will be recalled that KVIC Act of 1957 provided for a minimum of three and a maximum of five members. A review of the Commission's composition from inception in January, 1957 to December, 1985, covering a period of 29 years shows that the membership was at the maximum of 5 for more than half of the period (17 years and eight months), the members were at the minimum of 3 for 6 years and 5 months and that even the statutory minimum was not complied with for short periods (2 members for three months and 1 member for 3 months and none for one month). It is not clear what insurmountable difficulties stood in the way of Government nominating the full numbers and why it has pegged the number at less than 5 since March, 1975 (except for the brief period of April, 1977 to March

1980) without sparing a thought for inconvenience arising from casual vacancies and other difficulties.

3.12 After a careful consideration of all aspects, we recommend that the Commission may be composed of 12 members as follows :

- (i) The Chairman, who may preferably be a non-official of high stature, experienced in the management of public affairs, particularly in the field of Khadi and Village Industries or in the wider subject of rural development;
- (ii) Five non-official members with experience and knowledge of KVI who should be drawn from different zones as defined in the Zonal Councils Act, at the rate of one for each zone excluding the zone from which the Chairman hails. Care should be taken to see that as far as possible as many States and Union Territories as possible will have opportunities for representation in the Commission by rotation. In selecting these non-officials, greater weightage should be given to experience and knowledge in village industries in view of the need for greater stress on village industries in future;
- (iii) Four members with knowledge and expertise in economics, planning, marketing, science and technology and technical education and training; and
- (iv) The Financial Adviser to KVIC — ex-officio member;
- (v) Chief Executive Officer, who will be a senior administrative officer with aptitude for and experience in the field of rural development. He will also function as Secretary of the Commission.

3.13 While the Chairman, the Financial Adviser and the Secretary will be whole time, the rest will be part time. Exception may be made in the case of two or three expert members. For example the Member, Marketing may have to become whole time if and when a separate corporate entity subordinate to the Commission is created to look after the marketing function and comes to be headed by him. By this we mean that he will be the Chief Executive of the organisation. The matter has been further clarified in para 9.20. It is desirable to fix the tenure of the Chairman and Members of the Commission at five years. Nominations should be made in such a manner that there will be no interregnum between one Commission and another. To facilitate this, the Chairman of the KVIC should continue in office even after expiry of the tenure till the successor enters upon his office.

3.14 The proposal to make the Chief Executive Officer a whole time member of the Commission was examined by the Committee carefully in view of the existing provision in

the KVIC Act and the practice of inviting him to every meeting. Some members of the Committee urged that the present practice should continue while some others cited the practice in all other statutory corporations to treating the Chief Executive Officer (Managing Director or Executive Director) as a full member of the Board. As the presence of the Chief Executive Officer at all meetings of the Commission is considered essential by both groups, the point for decision boils down to the question, which method would be more appropriate and graceful, to treat him as a full member or as a mere invitee. There is, no doubt, that full membership gives the person concerned a greater sense of participation and involvement. By this simple device, the Chairman who has the final authority in the Commission would be able to draw the best out of the Chief Executive Officer, instead of making him feel all the time that his presence and participation were under sufferance. The Committee therefore, recommends that for efficient working, the Chief Executive Officer must be made a full member and fully responsible for the day-to-day management of the Commission's affairs and must be given all the necessary powers for the purpose. The Chairman, it must be made clear, has the final authority and should, along with the Commission, be vested with appellate functions and powers in administrative matters, although, he may not be involved in the day-to-day management. Further, to safeguard the primacy of the Chairman, it should be laid down that the Chief Executive Officer should function under the general supervision, direction and control of the Chairman. In the ultimate analysis, what is important and conducive to efficiency is the establishment of healthy relations and rapport between the Chairman and Chief Executive Officer. The above observation applies *mutatis mutandis* to the Financial Adviser also.

3.15 In the revised set up envisaged by us, there is no need to provide for a Vice Chairman and a non-official Member Secretary. Our enquiries have convinced us that these positions have led to needless complications in administrative matters and personnel affairs.

3.16 As pointed out earlier, we believe that on the analogy of other large organisations of all India nature, it is advisable to draw a distinction between primacy in policy-making and appellate jurisdiction in administrative matters on the one hand and implementation of policies and day-to-day administration on the other. The former should be exclusive preserve of the non-official Chairman while the latter should be left largely to the official who is nominated to head the administrative organisation. What may have been appropriate at the beginning when the organisation was being built by the Chairman according to his own judgement, may not be appropriate when the organisation has grown in size and complexity. The Central Office of the KVIC at present consists of 133 Officers and 951 Class III personnel and 184 Class IV personnel. The corresponding numbers in the State Offices are 101, 2,949, and 764 respectively. To exercise primary administrative control on all these vast numbers in terms of Rule 10(3) of KVIC Rules 1957 is neither feasible nor advisable for the Chairman. The Chairman's primary control may be limited to the top level and perhaps to the middle level also. He will do well to utilise the knowledge and

expertise of the Chief Executive Officer in respect of the rest, holding in his hands appellate jurisdiction in respect of them. This is a broad generalisation and details will have to be worked out keeping it in view.

3.17 It has come to our notice that the Commission has, by Resolution No. 8.1 dated 18th February, 1986, decided to delegate powers in respect of a number of items to the Chief Executive Officer and the relevant Standing Order was issued on 2nd April, 1986. This is a good beginning. We do hope that this will help in removing the ambiguities and in strengthening the administration in KVIC. We recommend that the process of delegation should be carried down further to the Directors in the Central Office and the State Offices so that the premier organisation in charge of the decentralised sector does not itself become a victim of the disease of over-centralisation. We note with satisfaction that the Commission has already taken on hand a study of delegation of powers in respect of programmes to the State Directors. We trust that this will be completed expeditiously.

3.18 We also recommend that the Financial Adviser who is envisaged in the Act and Rules as a watchdog on behalf of the Government is fully integrated with the KVIC. As in other statutory bodies, he should be fully in-charge of the financial functions and made fully responsible for all the financial affairs of the Commission. We have already recommended inclusion of the Financial Adviser as a member of the Commission. He may be redesignated as Financial Adviser and Chief Accounts Officer. It is our opinion that at present the Commission is not getting the full advantage of the knowledge, experience and expertise of this senior official of the IA & AS. But as head of the Finance, Budget, Accounts and Audit wings of the Commission and as an experienced member of the Commission, he should be in a position to take initiative in all matters which have a financial content or import. He shall be free to advise on any matter of financial import that it shall be placed before the Commission for consideration without being disposed off in the ordinary course. In such matters he shall also have the authority to advise that the Commission should bring them to the notice of the Government before approval. A suitable provision must be made in the law, making it mandatory for the CEO to comply strictly with the advice to place the matter before the Commission. It should also provide that the Commission may take a decision as it deems fit on such matters recording the reasons for the decision.

3.19 The All India Khadi and Village Industries Board which is meant to bring together the representatives of different agencies and bodies interested in khadi and village industries, provide general advice and guidance and act as an effective sounding board for new initiatives, needs to be restructured in the light of the latest developments. It should include, in particular, such of those interests, departments and experts, concerned with the programmes, as could not be accommodated in the Commission itself. The membership should be such as to facilitate the discussion of all problems of coordination and the hammer-

ing out of suitable solutions through mutual consultation. At the same time, it should not be an unduly large body. It may have 30-35 members at the maximum. The following membership is suggested on the assumption that the total will be limited to 30.

1. Chairman, KVIG	Chairman
2. A Representative of Ministry of Industry*	Member
3. A Representative of Ministry of Rural Development*	„
4. A Representative of Ministry of Human Resources Development (Technical Education)*	„
5. A Representative of Planning Commission*	„
6. Development Commissioner for Small Scale Industries	„
7. Development Commissioner for Handlooms	„
8. Development Commissioner for Handicrafts	„
9. Chairman, Central Silk Board	„
10. Textile Commissioner	„
11. Executive Director, IDBI	„
12. Managing Director, NABARD	„
13. Chairman of a Nationalised Bank	„
14. Director General, CART	„
15. Five Chairmen of State KVI Boards by rotation	„
to 19.	„
20. Four MPs — 2 each from Lok Sabha and Rajya Sabha	„
to 23.	„
24.	„
& Institutions operating in the field of rural technology	„
25.	„
26. An expert in Management/Marketing	„
27. Three eminent social workers	„
to 29.	„
30. Chief Executive Officer, KVIG	Secretary

* Not less than the rank of Joint Secretary to Government of India.

3.20 In nominating the Chairman SKVIB² against 15-19, care will be taken to select persons from States and Union Territories which are not represented in the Commission (against 2-5 in the Commission) so that field experience of as many areas as possible is brought to bear on the discussions in the top bodies of the Commission. No serious objection can

be taken by SKVIBs to this arrangement if the KVIC sets up the practice of holding annual conference of all SKVIBs for detailed discussions of States' problems in the same manner as Central Ministries and other Central bodies hold annual consultations with their counterparts in the States.

3.21 We recommend that the Board meets at least twice a year and assists the Commission through special Committees that may be formed to examine select issues in depth and to suggest practical solutions to problems of coordination, technology transfer, marketing, institutional finance etc. We believe that the utility of an advisory body depends largely on the openness and readiness of the executive body, in this case the Commission, to convene the former and seek its advice. If the Commission chooses, it can convert the meeting of the All India Khadi and V.I. Board into a mere ritual. We however, hope, it will not, in its own interest.

3.22 We believe that the Commission and the Board reconstituted on the above lines and supplemented by the structural improvements that we will suggest in later Chapters in regard to the management of the marketing and technology functions, will be able to tackle successfully the problems that are likely to be thrown up in the coming years, provided the Commission practices the principles of decentralisation and delegates administrative and financial powers to its senior personnel at the headquarters and in the State Directorates. We recommend that there should be a thorough review of the rules governing the matters that ought to be brought before the Commission and its Standing Finance Committees. The aim should be to ensure that these bodies concern themselves with the broad policy matters or special exceptions to the rules, leaving the day-to-day sanctions, individual cases and routine matters to be decided on file at the appropriate levels. We shall endeavour at a later stage to indicate the main lines on which the delegations may be made. Here we shall confine ourselves to the observation that a perusal of the minutes of the Commission's meetings has shown that the present practice requires a large number of individual cases and routine matters to be brought before the full Commission for decision. By way of illustration, we may mention cases such as creation or extension of the posts of Supervisors, filling up of junior posts in accordance with the Services Board's recommendations, allotment of quarters to an Upper Division Clerk, relaxation of age limit to a Gardner-cum-Helper, addition of specified new institutions to the directly aided list in accordance with the approved rules etc.

3.23 At present the Commission has four Standing Committees (Standing Finance Committee for Khadi, Standing Finance Committee for Village Industries, the Certification Committee and the Patterns Advisory Committee).

3.24 We have already drawn attention to the fact that the Standing Finance Committees which in the beginning helped in expediting the disposal of business have been contributing to delays in view of the enormous increase in the work load arising from the increased number

of directly aided institutions and the proliferation of schemes. Some method has to be found to reduce the load of work and to refurbish the image and the utility of the Standing Finance Committees. We shall discuss these aspects in the Chapter under Finance and Accounts.

3.25 As regards the Certification Committee also there is need for some rethinking. The concept of Certification has been inherited by the KVIC from the All India Khadi and Village Industries Board which passed the following Resolution at its meeting held on 3rd and 4th August, 1954 :

“The Certification of Khadi work and khadi institutions has been an important and necessary activity of the All India Spinners’ Association, for the purpose of safeguarding the purity of Khadi and ensuring reasonable wages to artisans engaged in the Khadi Industry. The Association having merged with the All India Sarva Seva Sangh and the latter having decided to leave this part of the work to the Board, it is necessary for the Board, charged with the function of developing the Khadi industry, to take up this Certification work also. It is, therefore, resolved to take charge of this work from the Sarva Seva Sangh with effect from this date and to continue the following Committee to implement this programme :

Shri Vichitra Narain Sharma : Chairman

- „ Dwarakanath Lele
- „ N. R. Sowaney
- „ M. S. Narayana Rao
- „ Bhimsen Vedalankar
- „ Purushottam Kanji
- „ Siddaraj Dhaddha



This Committee will have its office at Lucknow and will appoint its own staff. The rules framed by the Sarva Seva Sangh will continue to operate for the present. If they are subsequently altered, this may be done keeping in mind generally the spirit and principles governing the work of Certification as hitherto carried on by the Sarva Seva Sangh”. In pre-independence days and for some time after independence, the certification inspection used to be carried out by experienced persons steeped in Gandhian philosophy of truth and non-violence who exercised great moral authority and commanded respect from everyone. They were habitual khadi wearers and set example in austere living, dedicated service and moral standards. The auditors of today’s Certification Committee are a far cry from those giants. The Certification Committee itself is a creature of the KVIC, a statutory body under the Government of India. The concept of khadi is not the same as the concept put forward and developed by Gandhiji in accordance with his larger philosophy. We have already noted that the large part of khadi production is that of commercial nature

and khadi work is being viewed primarily as an instrument for providing employment opportunities in the villages, largely free from other Gandhian implications. In these circumstances, it is not surprising that the view has been advanced in favour of reconsidering the rationale behind the Certification Committee and its procedures. There is, however, no doubt, that so long as khadi continues to be an important part of the programme to be developed and supervised by the KVIC, the Commission must do everything possible to ensure that khadi offered for sale is true to its name or in one word pure, and that the artisans engaged in its production do get reasonable wages without being exploited by others. At the same time, it has been urged before us that the purity of the products and the reasonable wage to the artisan cannot be said to be peculiar or unique to khadi but are common to all village industries. Nobody can deny the truth of this statement. There is thus a case for evolving a system to ensure quality, reasonable wages and non-exploitative character of the industry. Once this point is conceded, it will become incumbent upon us to explore the possibility of evolving a new system of certification or if you will, a quality control for the entire gamut of village industries, including khadi. We shall deal with this aspect in a later Chapter as it has many repercussions other than organisational.

3.26 We recommend that, in order to bring out clearly the role envisaged for the re-structured KVIC in the future, the functions enumerated in section 15 of the KVIC Act, 1956 should be revised and elaborated as follows :

- (1) Subject to the provisions of the Act, the functions of the Commission shall generally be to plan, promote, organise and assist in the establishment and development of Khadi and Village Industries in the rural areas in co-ordination with other agencies engaged in rural development, wherever necessary.

Explanation : The rural area means habitation having a total population not exceeding 10,000 or such other figure as may be notified from time to time.

- (2) In particular and without prejudice to the generality of the foregoing power, the Commission may take such other steps as it may think fit :
 - (a) to plan and organise training of persons employed or desirous of seeking employment in khadi and village industries;
 - (b) to build up reserves of raw materials and implements and supply them to persons engaged or likely to be engaged in production of handspun yarn or khadi or village industries at such rates as the Commission may decide;
 - (c) to encourage and assist in the creation of common service facilities for processing of raw materials or semi-finished goods and for otherwise

facilitating production and marketing of khadi or products of village industries;

- (d) to promote sale and marketing of khadi or products of village industries or handicrafts and for this purpose forge links with established marketing agencies wherever necessary and feasible;
- (e) to encourage and promote research in the technology used in khadi and village industries, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research;
- (f) to undertake directly or through other agencies studies of the problems of khadi or village industries;
- (g) to provide financial assistance to institutions or persons engaged in the development and operation of khadi or village industries and guide them through supply of designs, prototype and other technical information for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission;
- (h) to undertake experiments or pilot projects which in the opinion of the Commission are necessary for the development of khadi and village industries;
- (i) to establish and maintain separate corporate bodies as subsidiaries to the Commission for the purpose of carrying out any or all of the above said matters;
- (j) to promote and encourage co-operative efforts among the manufacturers of khadi or persons engaged in village industries;
- (k) to set up standards of quality and ensure that the products of khadi and village industries do conform to the said standards, including issue of certificates or letters of recognition to the concerned persons; and
- (l) to carry out any other matter incidental to the above.

3.27 It will be noticed that, in suggesting revised draft of the functions, care has been taken to focus attention on important issues like concentration of efforts in rural areas, co-ordination with other agencies, market approach, readiness to make use of modern facilities, new raw materials and other agencies, the main purpose underlying research in technology and freedom to innovate new organisational devices. We have omitted the clause which seems to permit direct involvement by the Commission in the manufacture of khadi or other

products of village industries. In other words, we would like the Commission to be a national apex body for planning, sponsoring and promoting necessary activities in the field of khadi and village industries, short of direct involvement in production.

3.28 It would be obvious that, if the above recommendations are accepted for implementation, the KVIC Act, 1956 has to be amended. The Rules and Regulations which have been framed under the Act also need to be reviewed. During the review, it should be possible to make such provisions as will enable the Commission to act as a truly autonomous body charged with responsibility for development of village industries.

TABLE 1 (Para 3.5)
**THE DETAILS OF KVIC PATTERN OF ASSISTANCE AND EMPLOYMENT
AND PER CAPITA INVESTMENT**

Sr. No.	Industry/Scheme	Capital Expenditure Total (Rs.)	Employ- ment Total (Nos.)	Per Capita Investment of C.E. (Rs.)
1. Processing of Cereals and Pulses Industry				
(1)	Poha, Murmura, Bharbhujia unit for individuals	1,000	3	333
(2)	'B' Type Bakery Unit (Family Unit)	7,500	3	2,500
(3)	'C' Type Bakery Unit (Individual)	2,500	3	833
(4)	Popcorn Unit (Individuals)	5,000	2	2,500
(5)	Paddy (rice) Processing (Institution)	1,22,500	12	10,208
(6)	Poha making Unit (Institution)	68,500	6	11,417
(7)	Murmura making Unit (Institution)	75,000	14	5,357
(8)	Dal/Pulses Unit (Institution)	81,500	11	7,409
(9)	'A' Type Bakery Unit (Institution)	41,500	6	6,917
(10)	'A' Type Papad making Unit (Institution)	49,000	63	778
(11)	'B' Type Papad Unit (Institution)	32,500	33	985
(12)	Individual Papad Unit	3,000	3	1,000
(13)	Masala making (Institution)	71,500	7	10,214
(14)	Masala making (Individual)	1,000	2	500
(15)	Parboiling Unit (Institution)	12,000	3	4,000
2. Ghani Oil Industry				
1.	Bullock Driven Unit (Individual/Institution)	17,640	3	5,880
2.	Power Driven (Individual/Institution)	40,000	5	8,000
3.	Portable Power Ghani (Individual/Institution)	64,000	5	12,800
3. Village Leather Industry				
1.	(a) Self employed individual cobblers or leather goods artisans	100	2	50
	(b) Family unit of cobblers or leather goods artisans	500	3	167
	(c) Family unit of Tanners	1,500	3	500

Sr. No.	Industry/Scheme	Capital Expenditure Total (Rs.)	Employment Total (Nos.)	Per Capita Investment of C.E. (Rs.)
2.	Ordinary flaying centres (Individual)	20,000	5	4,000
3.	Footwear Unit (Individual)	10,000	5	2,000
4.	Bone crushing Unit (Individual)	26,000	4	6,500
5.	Leather Goods Unit (Individual)	5,000	3	1,667
6.	Leather Servicing Unit (Individual)	10,000	5	2,000
7.	Bhavans/Bhandars (Institution)	3,000	2	1,500
8.	Flaying Platform (Institution)	2,000	2	1,000
9.	Ordinary Flaying Centre (Institution)	47,500	5	9,500
10.	Intensive Flaying Centre (Institution)	2,50,000	12	20,833
11.	Bone Crushing Unit (Institution)	45,500	9	5,056
12.	Village Tannery (Institution)	80,000	12	6,667
13.	Cromc Tannery (Institution)	2,32,000	14	16,571
14.	Retanning and Finishing (Institution)	1,68,250	17	9,897
15.	Footwear Unit (Institution)	10,000	5	2,000
16.	Leather Goods Unit (Institution)	5,000	4	1,250
17.	Leather Servicing Unit (Institution)	10,000	4	2,500
18.	'A' Type Footwear and Leather Goods shop (Institution)	20,000	7	2,857
19.	'B' Type Footwear and Leather Goods shop (Institution)	10,000	4	2,500
4. Cottage Match, Fireworks/Agarbatti Industry				
1.	'A' type match production unit	42,000	71	592
2.	'B' type match production unit	22,000	35	629
3.	'C' type match production unit	22,000	22	1,000
4.	Match production unit for trained entrepreneurs	22,000	22	1,000
5.	Family match production unit	8,000	8	1,000
6.	Home unit for box making and frame	900	2	450
7.	Service unit	75,000	3	25,000
8.	Central Marketing Depot	2,500	2	1,250
9.	Marketing Depot	1,500	1	1,500
10.	Individual Mobile selling booth	1,500	1	1,500
11.	'A' type Agarbatti unit	10,000	14	714
12.	'B' type Agarbatti unit	5,000	7	714
13.	'C' type Agarbatti unit	2,500	4	625
14.	'D' type Agarbatti unit	1,600	2	800
5. Canegur and Khandsari Industry				
1.	Bullock driven gur unit (Individual)	5,700	4	1,425
2.	Power driven gur unit (Individual)	29,160	12	2,430
3.	Gur production unit (Institution)	1,60,000	20	8,000
4.	Hydraulic Khandsari unit (Institution)	30,00,000	240	12,500
5.	Non-Hydraulic and Non-Sulphitation unit	7,75,000	108	7,176

Sr. No.	Industry/Scheme	Capital Expenditure Total (Rs.)	Employment Total (Nos.)	Per Capita Investment of C.E. (Rs.)
6.	Palmgur Making and Other Palm Products			
1.	Palm Sugar Plant	1,12,500	40	2,813
2.	Scheme for individuals/entrepreneurs	200	1	200
3.	Tappers (Artisans) family unit	600	2	300
4.	Palm Candy family unit	2,000	3	667
5.	Palm leaf mats/other products making family unit	200	2	100
6.	Palm fibre brush unit	19,500	12	1,625
7.	Composite table top Palm Fibre brush making	32,500	8	4,063
7.	Non Edible Oils and Soap Industry			
1.	Seed collection centre	16,000	152	105
2.	Laundry Soap unit	1,16,000	18	6,444
3.	Toilet Soap base unit	2,23,000	8	27,875
4.	Toilet Soap unit	1,01,300	6	16,883
5.	Toilet Soap unit for individuals	59,800	6	9,967
6.	Laundry Soap unit for individuals	6,000	3	2,000
7.	Non-Edible oil processing	90,000	8	11,250
8.	Handmade Paper Industry			
1.	Tiny Unit	30,000	6	5,000
2.	Small unit	1,55,000	38	4,079
3.	Medium unit	4,32,500	43	10,058
4.	Papier machie unit for individuals	1,000	3	333
9.	Village Pottery Industry			
1.	Individual Potter's Scheme	11,100	3	3,700
2.	Brick clamp (Individual unit)	2,000	4	500
3.	Scheme for skilled/educated potters	1,00,000	6	16,667
4.	Common workshed scheme	48,000	4	12,200
5.	Common workshed scheme	2,08,000	10	20,800
6.	Earthen pipes for subsurface drainage	1,50,000	9	16,667
7.	Raniganj tile unit	27,500	19	1,447
8.	Mangalore tile unit	8,00,000	70	11,429
9.	Brick bhatta unit	1,40,000	200	700
10.	Porcelain Chinaware, Stoneware unit	4,65,000	80	5,813
10.	Fibre Industry			
1.	Batara making scheme	3,000	19	158
2.	Two ply yarn making (Sisal)	5,000	31	161
3.	Kora Grass Mat making	3,500	26	135
4.	Ban making scheme	7,000	11	636
5.	Table Mat making	4,500	26	173
6.	Sisal Fibre production	15,000	5	3,000
7.	Ban making self-employment	825	2	413

Sr. No.	Industry/Scheme	Capital Expenditure Total (Rs.)	Employment Total (Nos.)	Per Capita Investment of C.E. (Rs.)
11.	Carpentry and Blacksmithy Industry			
1.	Carpentry home unit (Hand tools)	1,800	2	900
2.	Blacksmithy home unit (Hand tools)	3,600	2	1,800
3.	Home unit (Power operated)	15,000	4	3,750
4.	Carpentry unit (Entrepreneur)	45,000	5	9,000
5.	Blacksmithy (Entrepreneur)	45,000	7	6,429
6.	Institutional Workshop	1,92,500	13	14,808
12.	Lime Manufacturing Industry			
1.	'A' type Lime unit	32,000	6	5,533
2.	'B' type Lime unit	80,000	12	6,667
3.	Lime Shell burning unit (Individual)	2,500	3	833
4.	Lime production unit (Individual)	—	2	—
5.	Lime Pozzolana ready mixed mortar	3,00,000	24	12,500
6.	Mortar making unit (Institutional)	2,300	3	767
7.	Lime Shell collection unit (Institutional)	4,000	10	400
8.	Quarrying unit	6,000	20	300
9.	Chalk making unit	5,000	4	1,250
10.	Marble stone artware unit	—	4	—
11.	Fancy Lime Shell artware unit	—	4	—
12.	Conch Shell production unit (Individual)	—	2	—
13.	Sandlime tiles, blocks, jallies etc. unit	15,500	6	2,583
13.	Collection of Forest Plants and Fruits for Medicinal Purposes			
1.	Collection and Processing unit	11,500	5	2,300
14.	Gum Resins Industry	1,40,000	12	11,667
15.	Katha Manufacturing Industry	47,500	15	3,167
16.	Fruit Processing and Preservation Industry			
1.	Cottage scale unit	1,25,400	15	8,360
2.	Home scale unit	27,000	6	4,500
3.	Family unit	5,000	2	2,500
4.	Major unit	2,69,700	57	4,732
5.	Coco processing unit	1,65,000	18	9,167
6.	Tamarind processing unit	7,000	13	538
17.	Cane and Bamboo Industry			
1.	Family unit	200	4	50
2.	Institutional unit	3,200	4	800
18.	Household Aluminium Utensils			
1.	'D' type home unit	10,000	3	3,333
2.	'C' type entrepreneur unit	25,000	6	4,167
3.	'B' type institutional workshop	1,84,000	19	9,684
4.	'A' type institutional workshop	3,61,000	39	9,256

CHAPTER 4

ORGANISATION FOR THE FUTURE — STATE LEVEL

While discussing the main issues before the KVIC in Chapter 2, we made a brief reference to the State Khadi and Village Industries Boards and the need to improve the relations between them and the KVIC and their performance. In this chapter, we shall try to indicate the steps that may be taken to make the State Boards equal to the challenges of the future.

4.2 The State Boards, it may be recalled, have come into existence in response to the advice of the All India Khadi and Village Industries Board which was required by the Government Resolution of January 14, 1953 to work "in close cooperation with the State Governments". The All India Board declared in May, 1953 as follows :

"It would be desirable to see that the work in States should be carried on through State Boards, provided these Boards were constituted mainly out of constructive workers and were granted authority to execute schemes conforming to the programme formulated by the Board. While there would be no objection to the Minister in-charge becoming the Chairman of a State Board, it would be an advantage if the Secretary was a non-official acceptable to the Board. In case no Board were constituted in a State, on lines acceptable to this Board, it would be open to it to recognise non-official bodies. Elsewhere also, while work should ordinarily be done through the State Board, this Board would not be debarred from dealing direct with approved institutions in the States." Thus, the All India Board envisaged the State Board as the principal agency for implementing its programme and direct dealings with field institutions were to be in the nature of exceptions. But we have found that except in Gujarat, KVIC has continued its policy of aiding institutions directly. It has done so even where State Boards are active and have shown competence. Considering that the full potential of the KVI programmes can be realised only through active participation of State Governments and coordination with other rural employment programmes and that the targets envisaged in Chapter 3 involve detailed planning at the State level, we would stress that the exhortation of 1953 for close cooperation between the All India body and the State Governments continue to be relevant to-day. To this end, KVIC and the State Boards should jointly adopt suitable measures and policies.

4.3 At present, statutory Boards exist in all States and Union Territories, except the Union Territories of Arunachal Pradesh, Lakshadweep, Andaman and Nicobar Islands (proposal to form a Statutory Board is reported to be in advanced stage) and Dadra and Nagar Haveli. But they reveal considerable diversity in their composition and functioning. The number of members varies from as low as 6 in Maharashtra to as high as 25 in Karnataka. Meghalaya Board has 11 members while Pondicherry and Nagaland Boards have 9 each.

In 6 State Boards, there are more officials than non-officials and they are Assam (9 out of 9), Mizoram (9 out of 11), Bihar (7 out of 11), Meghalaya (7 out of 11), Madhya Pradesh (5 out of 8) and Delhi (5 out of 9). As regards the Chairmanship of the Board the practice varies from State to State. In some State Boards, like Uttar Pradesh, Kerala, Mizoram, Tamil Nadu and Pondicherry, the Minister-in-charge of KVI in the State Government is the ex-officio Chairman, while in others a wholetime incumbent is appointed as Chairman. KVIC has been insisting that the Chairman and other members of the State Board should be appointed after prior consultation with the KVIC. In practice, however, the Commission has had to accord formal approval to *fait accompli*.

4.4 KVIC has had greater success in persuading the State Boards to invite its State Directors to their meetings invariably. Some States have gone further. Eight States have made KVIC's nominee a regular member by a suitable provision in the law. These 8 States are Delhi, Gujarat, Karnataka, Madhya Pradesh, Meghalaya, Pondicherry, Goa, Daman and Diu and Mizoram. We have noted that in States where the State Director of KVIC and the State Board have established good relations, through membership or otherwise, the working of the Board has shown improvement and the programme has benefited.

4.5 A look at the functions of the State Boards listed in their Acts will lead one to conclude that the Boards were originally intended to be replicas of the KVIC at the State level. They were required to plan the development of Khadi and Village Industries in their respective States and undertake the entire gamut of activities pertaining to training, research and development, supply of tools, equipment and machinery, supply of raw materials, marketing and financing. However, in reality, they have not gone much beyond the disbursement of funds received from the KVIC. Even the solitary exception of the Maharashtra Board which runs the Handmade Paper Research Institute, Pune cannot be cited as an example of the initiative taken by a State Board. This Institute was originally set up by the erstwhile Bombay V. I. Committee, and came under the control of the Maharashtra State KVI Board in due course as a result of the merger of the former with the later. Some Boards like those of Tamil Nadu, Assam, Rajasthan, Uttar Pradesh, Bihar and Himachal Pradesh have taken up production and marketing activities on a departmental basis in respect of some items. Barring these few cases, the State Boards have functioned more or less as conduits for passing on the financial assistance sanctioned by the KVIC to approved institutions, cooperatives and of late to individual artisans. Obviously, even this single function carries with it the responsibility for planning the growth of different industries, developing infrastructure and monitoring the utilisation of sanctioned funds. But it is difficult to say that these implications have been fully understood and acted upon by all the Boards.

4.6 During the last three years, KVIC carried out indepth studies of 23 State Boards, by deputing teams headed by senior officers. Of these, 19 have been completed and 4 are

in progress. We understand that 13 reports are under discussion with the concerned State Boards. The following common defects have been noticed :

- (a) frequent changes in the composition of the State Boards;
- (b) frequent changes of the Chief Executive Officer and Financial Adviser;
- (c) non-availability of technical and ministerial staff, more particularly the technical and improper recruitment of staff and junior functionaries;
- (d) absence of any in-service training;
- (e) absence of statistical cell and machinery to monitor the programme;
- (f) inadequate delegation of powers to various functionaries; and
- (g) deficiencies in maintenance of accounts and lack of financial discipline.

4.7 The defect at (a) is perhaps the result of lack of a fixed tenure in the law or of the appreciation by the State Governments of the State Boards as an instrument of development. The State Board should not be viewed as a sinecure body that can conveniently provide berths for political rewardees. We recommend statutory fixed tenure for the Board. For composition we are making a separate recommendation later.

4.8 The second defect at (b) it must be said, is not peculiar to State Khadi Boards. It is a consequence of the exercise of unbridled power and patronage by the power that be, with total disregard for public interest and propriety. We deplore it and appeal most sincerely to the concerned authorities that frequent transfers must be avoided in the larger interest as a matter of policy. KVIC, we hope, will continue to take up with the State Governments concerned, as in the past, whenever in its opinion such changes are likely to affect the work of the Board adversely.

4.9 Defects at (c), (d), (e) and (f) are again matters that can be cured, if the State Governments concerned order a review of the administrative arrangements and decide to streamline them keeping in view the needs of the programme. If necessary, outside consultants can be hired to advise. We have learnt that a sum of about Rs. 65 crores was provided in the Sixth Five Year Plan for KVI under State Plan. This was to cover three items : (i) assisting village industries taken up by the Board, not covered by the schedule of KVIC Act (ii) strengthening the State Boards, particularly their technical staff; and (iii) construction of buildings and other items of infrastructure. The provision for different States in the Seventh Plan period is shown in Table 1. It will be seen that some States did not at all avail of this provision, while some which took advantage of it utilised it for other purposes such as adjusting the committed expenditure on establishment, special rebate etc. The technical staff component of the Boards did not get the intended boost even in States which can be called advanced in the KVI sector. During our visit to Tamil Nadu, the State Board asserted that expansion of the programme in future is possible only if the technical

cadres are suitably strengthened without delay. This is even more true of other States. Another area of weakness is the information system and the arrangements for monitoring. Most of the Boards do not have complete and up-to-date information about the salient aspects of the working of the institutions assisted by them. Recently joint inspection by the field staff of KVIC and State KVI Board which was undertaken in 12 Districts of U.P. revealed that 61 per cent of the institutions and 31 per cent of the cooperatives were dormant and 10 per cent were not traceable, although they had been described as working by the Board's Office. In most of the State Boards there is no qualified statistician to collect, compile and analyse the information. In view of these disquieting facts, we recommend that the State Governments should undertake a detailed review of the staffing patterns, technical cadres, the reporting systems and the monitoring arrangements prevalent in their State Boards, and initiate a plan of action for strengthening and improving them. We recommend that the State Governments should undertake a complete review well before the commencement of the next plan so that action could be completed by 31-1-1989. KVIC, should, on its part pursue this matter during the periodical discussions the Chairman, KVIC holds with State authorities, particularly with the Minister-in-charge and the Chief Minister. For in-service training for the staff of the State Boards suitable plan should be drawn and this should be a regular feature.

4.10 Lack of financial discipline (point g) is reflected in non-confirmation of loan balances due to KVIC as well as to the State Boards, non-furnishing of utilisation certificates, non-payment of interest on loans, unutilised amount and recoveries effected and diversion of funds to purposes other than those approved. We are informed that KVIC does not get regularly the monthly statements of accounts from most of the Boards. In some cases, the bank reconciliation work is in arrears and discrepancies are often found between the figures recorded in the books of KVIC and those furnished by the State Boards. Table 2 at the end of the Chapter may be seen for the State-wise position of the confirmation of loan balances and default in repayment as on 31-3-1985. Annual audit is also in arrears in several Boards (vide Table 3). In one State, the accounts were in such an unsatisfactory condition that the Accountant General initially refused to undertake the audit and had to be specially persuaded by KVIC to relent. At present, out of 27 State Boards the accounts of 18 are audited by the Accountant General of the State, 3 by Local Government Audit and 3 by Chartered Accountant. In the case of the remaining Boards (Nagaland, Delhi and Mizoram) audit is still to be organised. Rajasthan and Gujarat where the accounts used to be audited by a Chartered Accountant have since come under the jurisdiction of the State Accountant General at the instance of the KVIC. We agree with the KVIC on the desirability of entrusting the audit of Boards with the State Accountants General who are best placed to conduct not only the regular statutory audit but also propriety audit and present their reports for discussion in State Legislatures. This arrangement will facilitate scrutiny by the Public Accounts Committee and Estimates Committee of the Legislative Assemblies. We understand that the working of the State Boards is reviewed by the Co-

Committee of Public Enterprises of State Legislature in Tamil Nadu and Maharashtra. It is desirable that other States also adopt this practice. We had indicated earlier that the State Government should have a close relationship with the functioning of the State Boards. This can be achieved in many ways. We understand that in Tamil Nadu a Senior Secretary to the Governments and some times the Second Secretary to the Government who is next to the Chief Secretary, undertakes an annual inspection of the State Khadi Board. We could recommend that all State Governments may follow this method of inspecting the Board by a senior officer from the State Government. These inspection reports may also be sent to the KVIC for information.

4.11 We have come across instances in which funds provided by KVIC for the development programmes are diverted to meet the establishment expenditure of the Boards. Bihar is a glaring case where diversion continued over several years and reached the staggering figure of Rs. 152.30 lakhs in 1984-85. Then the KVIC decided to stop release further funds and brought the matter to the notice of the Prime Minister. Thereafter Bihar Government agreed to stop further diversions and assured that the amounts already diverted would be adjusted. We understand that the unadjusted amount stood at Rs. 148.98 lakhs as on October 1983. It is reported that the Government of Bihar has agreed to pay back Rs. 111 lakhs in three instalments each of Rs. 37 lakhs. The first instalment has been received by KVIC in June 1986. Other instalments have been sanctioned and would be released in due course. The sanction of remaining Rs. 37.98 lakhs is under consideration of the Government of Bihar. We have come across similar diversions, though of smaller magnitudes, in a few other State Boards. We would like to impress upon the concerned State Governments that on no account can this practice be justified. We strongly recommend that the KVIC should take prompt and stern action once diversion comes to notice and not allow the practice to go on for years till the amount attains an unmanageable size as in Bihar.

4.12 Table 4 shows the position of outstanding utilisation certificates as on 31-3-1986. It will be seen that the position is quite unsatisfactory in the State Boards of Andhra Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland, Uttar Pradesh, West Bengal, Delhi, Goa and Pondicherry. We are informed that a large number of the outstanding cases relate to disbursements to individual artisans who were directly assisted by State Boards. It is unfortunate that some State Boards took up financing individual artisans without creating adequate machinery for monitoring the scheme. Some mechanism at the field level is absolutely necessary for identification of the artisans, ascertaining their needs, fixing the loan limits and monitoring their performance from time to time. The Governments of Maharashtra, Tamil Nadu, Karnataka and Gujarat have taken great care to create an organisation at the field level and that has contributed in a large measure to the success of the State Boards. Other States will do well to emulate them and help establish suitable field support systems for their Boards. Organisational structure of a few successful Boards is given in Annexe I.

4.13 Another objectionable practice of some State Boards that has come to our notice is that of keeping the money meant for individual artisans as well as institutions in a joint bank account in the name of the beneficiary and the District Village Industries Officer. In Orissa about Rs. 3.77 crores are blocked in District Cooperative Banks in this manner. The Bank and not the artisan is the real beneficiary of this procedure which seems to have been evolved by the Board merely to show expenditure and qualify for further draws on recoupment. We have also come across an interesting case in Assam, where funds provided by the KVIC have been kept by the State Board in a reserve fund known as Chief Executive Officer's fund. The total deposit in this fund stood at one time at Rs. 51.30 lakhs as on 31-3-1985. It was reduced to Rs. 20 lakhs in 1985-86. One half of the amount represented draws from KVIC while the other half was received from the State Government. Yet another irregularity committed by some State Boards is to issue cheques to their district officers or District Industries Centres, show the amount as disbursed and claim recoupment from KVIC. Ordinarily one is entitled to recoupment only when the amounts reach the ultimate beneficiary.

4.14 The main reason for the poor state of financial management and the adoption of questionable practices by some of the State Boards is the failure of the State Governments to appoint a competent and qualified person as Financial Adviser and Chief Accounts Officer of the Board. Out of 27 State Boards, in 10 only the post is filled by an Officer deputed by the State Accountant General, after obtaining the prior approval of the KVIC. In one case, (Maharashtra), an Officer of the KVIC is holding the post. In 6 State Boards the incumbents of the post belong to the State Finance Departments. There are also cases of persons promoted from within the Board. KVIC had announced some time ago, a scheme under which it would reimburse the pay and allowances of the F.A. and C.A.O. if an Officer of the State Accountant General was appointed after obtaining its prior approval. To date, 13 States only have taken advantage of this scheme. The time has come for the KVIC to take other measures such as withholding of assistance if the State Board does not comply with the condition relating to the competence and suitability of the persons selected for this important post and the prior approval of the Commission.

4.15 The State Boards too have their grievances. In reply to our Questionnaire, they have listed the following problems. Their main complaint against the Commission is late release of imprest, in the month of August or September, thereby causing delay in disbursement to the implementing agencies in the field. For example, the U.P. State Board pointed out that in 1984-85 as a result of receipt of imprest from KVIC in August and September, its own releases to districts had to be postponed till after November and that a sizeable portion was released in January and March. It was suggested that about 50 per cent of the eligible amount should be made available at the beginning of the financial year so that the State Board would be able to plan its programme effectively. In reply the Commission has stated that in view of the recent practice of approving the State Board's budget for two

years at a stretch and of releasing the imprest on the basis of a tentative programme upto 25 per cent in June, there should not be any difficulty on this account. Some State Boards have represented that certain conditions laid down in the sanctions are not capable of being fulfilled quickly, thus rendering the sanctions inoperative. Broadly, these conditions include furnishing of feasibility study of a unit by technical personnel, clearance thereof by State Director or the concerned Industry Director depending upon the type of unit, fulfilment of conditions prescribed by the State Board for availing of financial assistance by the implementing agencies such as mortgage, hypothecation, furnishing of resolution, loan documents, clearance of old defaults, reporting of progress etc.

4.16 KVIC's policy of supplying tools and equipment to industries has also come under criticism. Some State Boards have asked why the actual work of supplying machines cannot be decentralised. They argue that while KVIC may lay down the specifications and the pattern of financial assistance, it can very well leave it to the State Board to place orders on recognised suppliers and arrange for their procurement and supply to the implementing agencies. We feel that KVIC should have authority to approve the list of technically qualified suppliers and KVIC might insist that the equipment should be manufactured and purchased through the recognised suppliers only. For this purpose, KVIC should approve various institutions in different States. KVIC's insistence on the feasibility studies for small units involving investments of not more than 5 to 10 thousand Rupees has been questioned as impracticable and unnecessary. As an illustration, the Maharashtra Board pointed out that in 1985-86 KVIC's State Office could not clear the feasibility reports on several units of Carpentry and Blacksmithy. We are told that KVIC is preparing revised instructions on the subject, reserving to itself the clearance of sizable investments only, such as in the case of handmade paper, glazed pottery, Mangalore tile units and gur and khandsari units. In our opinion, KVIC should lay down a limit upto which State Boards will have authority for approving feasibility reports.

4.17 There is a universal feeling that the patterns of financial assistance and unit costs which are prescribed on a uniform basis for all regions are often found to be unsuitable. The State Boards made out a strong case for prescribing scales of assistance on the basis of regional costs. There is a common complaint that the costs of construction approved in the financial patterns are unrealistic and need to be changed frequently.

4.18 Considering that many of the cases of diversion of funds from working capital to capital expenditure have arisen due to escalation in the costs of construction, the KVIC must evolve a system which can take note of regional variations in costs and make quick adjustments, so as to enable the State Boards to carry on the programme without committing irregularities.

4.19 As per the recommendations made in the Conference of State Ministers of Industries and Chairmen, State KVI Boards held in New Delhi on 19th and 20th January, 1981

a draft model bill to replace the existing State KVI Boards Acts was circulated by the Ministry to all the State Governments in January, 1982, with a view to improving the working of the State Boards and placing the relations between the KVIC on the one hand and the State Boards on the other on a sound footing. However, no State Government has so far adopted the bill. In these circumstances the Central Government and KVIC have to consider carefully what further action needs to be taken in this regard. We hope that while doing so, they will take into account the suggestions we make in this Report. The important features of the Model Bill were as under :

- (1) The Board shall consist of the Chairman along with other members not less than 5 and not more than 9.
- (2) Unless otherwise decided by the Government, the Minister in charge of khadi and village industries shall be the Chairman of the Board. If any other person is appointed by the Government as Chairman it shall be done in consultation with the Commission.
- (3) The Government may appoint one of the members as Vice-Chairman where the Minister-in-charge of khadi and village industries shall be the Chairman. The appointment of Vice-Chairman will be done in consultation with KVIC.
- (4) From the recommendation of the Commission, Government shall appoint a person not being a member of the Board as Financial Adviser of the Board.
- (5) The Board shall meet at such time and place and shall transact such business at its meeting as may be provided by the regulations made by the Board under the Act and shall meet at least once in every 2 months.
- (6) The powers and duties of the Secretary will be such as may be prescribed from time to time and delegated to him by the Chairman. The Board may appoint such other officers including Chief Executive Officer as may consider necessary for the efficient discharge of the functions.
- (7) A Standing Finance Committee shall be constituted to exercise such powers and perform such functions as may be delegated by the Board. The proceedings of the meeting of the Committee shall be forwarded to the Government and the Commission within 15 days of every meeting. The Board may also delegate necessary financial powers to its officers for expeditious disposal of work subject to such conditions as it deems fit.
- (8) Subject to the provision of Section 19 and subject to the condition that the expenditure is covered by the budget sanctioned by the Government the

Board shall have power to spend such sums as it thinks fit and purpose authorised by this Act.

- (9) The functions of the Board shall be generally to (a) plan, organise and implement programmes for the development of khadi and village industries, (b) to plan and organise the training of persons engaged in the production of khadi and village industries, (c) to build up a reserve of raw materials and implements and to supply them to the units engaged in the production of khadi or village industries, (d) to provide for the sale and marketing of khadi or of products of village industries or handicrafts, (e) to encourage and promote research in the technique of production of khadi or in the development of village industries, (f) to promote and encourage cooperative efforts among manufacturers of khadi and persons engaged in village industries and (g) to maintain or assist in the maintenance of institutions for the development of khadi or village industries.
- (10) The Board in the performance of its functions under the Act shall be bound by such directions as the Government may give to it from time to time.
- (11) The Board shall also be bound by such directions as the Commission may give it from time to time in respect of implementation of programme and the finance provided by the Commission.
- (12) The accounts of the Board shall be audited by State A. G. or such persons as the Government may in consultation with the Commission appoint from time to time.
- (13) The Board shall prepare and forward to the Government and the Commission in such manner as may be prescribed an Annual Report within 3 months from the end of the financial year giving a complete account of its activities. The report and the annual statement of accounts together with audit report shall be laid before the State Legislature.
- (14) The Government may by notification in the official gazette make Rules to give effect to the provisions of the Act.
- (15) The Government may, by notification in the official gazette, direct that the Board shall be dissolved from the date specified in the notification and thereupon the Board shall be deemed to be dissolved accordingly and any Committees constituted shall cease to function.
- (16) Any sum payable to the Board under any agreement express or implied or otherwise howsoever may be recovered without prejudice to or any other remedy as arrears of land revenue.

- (17) The Board may after prior consultation of the F. A. to the Board write off losses upto Rs. 1,000 in individual cases falling under any of or of all the following categories such as loss of irrecoverable value of stores or of public money due to theft, fraud or such other cause, losses or irrecoverable advances other than the loss and deficiency and depreciation in the value of stores.
- (18) The Financial Adviser shall advise the Board on all matters relating to the receipts and expenditure. He shall have the right to attend every meeting of the Board and of S.F.C. but shall not have the right to vote thereat. He shall also have the right to refer to the Board any matter having financial implications which in his opinion ought to be brought to its notice.
- (19) The secretary of the Board shall work under the general control of the Chairman who may delegate to him such powers and duties as the Chairman may consider necessary.

4.20 At this stage it will be useful to take note of the progress made by the State Boards in the implementation of the KVI programmes. Some important data are presented in the form of tables at the end of the Chapter. Table 5 shows the departmental activities undertaken by different State Boards. Table 6 gives particulars relating to the agencies assisted by the Boards. Table 7 contains the names of village industries taken up by different State Boards, while Table 8 highlights those industries the production of which in a State accounts for 5 per cent or more of the all India production. The shares that the State Boards have been able to achieve through the agencies under their control, out of the overall State value of production and employment, generated in respective States, are given in Table 9. It will be seen therefrom that most of the State Boards have concentrated on village industries leaving khadi largely to institutions directly aided by KVIC.

4.21 Attempts have also been made to classify the State Boards according to the volume of loans outstanding, the value of production and the quantum of employment generated. The results have been presented in Tables 10, 11 and 12. While reading these tables and comparing one State Board with another, it is necessary to bear in mind the following limitations. First, the position or ranking of a State Board in the list of State Boards on the basis of volume of outstanding loans would depend upon the share of a particular State Board in the overall loans outstanding against the State i.e. number of directly listed institutions under the fold of KVIC. Second, it is not possible to establish exact correlation between the volume of loans, value of production and the quantum of employment as the industries financed differ widely in their essential features. Accordingly, States which occur in a higher class of the loans list may find a place in a lower class of the production list or employment list.

4.22 In the course of our visits to States, we found that the programme is concentrated in certain areas. In other words, there are regional imbalances in the development of KVI within the States. In Assam, KVI programmes are largely concentrated in the districts of Nowgong and Guwahati. This is so even in certain developed States. In Tamil Nadu, most of the khadi activity is located around Tirupur. In Gujarat, Saurashtra region has received greater attention. In Karnataka, the northern part of the State has a greater share of the programme. In Maharashtra, there is concentration of activities in Western Maharashtra and to some extent in Konkan and Vidarbha, whereas they are thin in Marathwada. One can appreciate the State Board not taking up a particular activity due to non-availability of basic raw materials, skills or availability of better opportunities for gainful employment but it is difficult to justify the failure to initiate some development programme or the other in certain areas, consistently with the available skills, materials and other factors. We are inclined to think that the imbalance is the direct result of the absence of a well-thought out plan of action. The State Boards should, in consultation with the KVIC and the field institutions, prepare a plan for covering all viable clusters of villages within a specified period, as suggested in para 2.13. While doing so, they should bear in mind the new definition of village industry we have recommended in Chapter 3.

4.23 We are of the opinion that the State and Union Territories Governments will have to play a more active and aggressive role than in the past in regard to KVI Sector, if KVI activities are to develop, according to a plan, in all the viable clusters of villages in all the States and Union Territories, within a time frame and in coordination with similar anti-poverty programmes, as envisaged in Chapter 2. They have to revitalise their Khadi and Village Industries Boards and reorient them so as to provide leadership and direction to the entire programme and not merely to parts thereof. The Boards will have to take within their fold all the implementing agencies in the field and assist them in developing the khadi and village industries in their respective areas of operation upto the full potential. This was indeed the original intention behind the creation of Statutory Boards at the State level. At present, however, Gujarat is the only Board that answers to the above description. No field institution is directly aided by the KVIC in Gujarat and the State Board is fully in-charge of the KVI Sector. Several factors such as the attitudes of the successive State Governments, the composition of the State Board, the confidence generated by the members of the Board, etc., have contributed to this development. But, in other States, the Boards seem to have taken a restricted view of their roles. This as well as some other factors have led the KVIC to continue the practice of aiding some field institutions directly, with or without the knowledge of the State Boards concerned. Our attention was also drawn to the resolution passed in the conference of the Chairmen and the Chief Executive Officers of the State Khadi and Village Industries Boards held at Lucknow on 4th and 5th February, 1986 in connection with the Silver Jubilee celebration of U.P. State Khadi and Village Industries Board. It urged that the Khadi and Village Industries Commission should stop direct financing to the institutions and transfer the administrative control of

the directly aided institutions to the respective State Khadi and Village Industries Boards. In para 2.18, we have drawn attention to the complaints of West Bengal Government against this practice. On the other hand, in several States, the Registered Institutions have been expressing a preference to deal with the KVIC directly, as in their view the attitude of the State Boards was not very congenial. For example, in Maharashtra, KVIC found the State Board unwilling to deal with the registered societies engaged in the propagation of khadi and took those institutions under its own care. In some cases, the State Boards set up their own production facilities on a departmental basis and as a result came to be perceived as competitors by the institutions in the field. In practice, such Boards could not also spare time to promote and service the small institutions developed by the constructive workers. In these circumstances, KVIC came under pressure for expanding its list of directly aided institutions. As this list grew, the salutary practice of the earlier days to consult the State Boards and to involve them in the review of the directly aided institutions was given up by the Commission. This process has led to a fragmented approach to the entire problem and to complete subversion of the original model. And some State Governments have decided to exclude the directly aided institutions of KVIC from the special rebates or purchase preferences they sanction from time to time.

4.24 After a careful consideration of all the aspects of the matter, we have come to the conclusion that the time has come to redefine the roles of KVIC and the State Boards. Considering the size of the country and the regional diversities, it is unrealistic for a national body like KVIC to attempt at establishing direct relations with a large number of field organisations on parallel lines without involving the State Boards. While the KVIC should concentrate on higher policy, planning, research, training and marketing for the entire KVI sector, it should encourage the State Governments and State Boards to undertake the responsibility for preparing detailed field plans for the villages on an area basis for strengthening existing institutions and for building new field institutions wherever necessary, for implementing the approved programmes in a coordinated manner and for monitoring. The KVIC and the State Boards should together evolve suitable policies and measures for this purpose. Some of them are indicated below :

- (a) To begin with KVIC should revive the old practice of providing full information to the State Boards about the directly aided institutions and their programmes and of inviting them to the periodical reviews undertaken by the Commission. This step is essential for promoting in the State Boards an overall view of the activities of the sector in their respective States;
- (b) The KVIC should, as a rule, consult the State Boards and ascertain their views before adding a field institution to the directly aided list. Such a

practice will enable the Commission to determine whether in the prevailing circumstances it is unavoidable to take the institution in question under its direct care in the larger interests of rural development, and promotion of rural employment. The Commission can think of a provisional admission to the directly aided list, for a short period subject to review if in its opinion the consultation process is likely to result in undue delay. There is no need to assume that once an institution is put on the directly aided list it should be there for all times;

- (c) As regards the institutions which are already on the directly aided list, the Commission will have to study the position in each State and draw up, after careful consideration, a plan of action for transferring them to the jurisdiction of the State Boards. As this is a delicate exercise and as nothing should be done to dislocate the programme or to affect adversely the morale of the persons in-charge of these institutions, the Commission, should ensure that the timing and terms of transfer are determined as far as possible with the consent of the parties concerned. In our view there is no particular merit in rushing through the transfer or fixing a definite date for completing it. It is necessary to take a pragmatic view in this matter.
- (d) The State Boards should be reorganised as indicated in this Chapter so as to include some persons who have experience in the affairs of the registered institutions on the directly aided list and who can generate confidence among the constructive workers.
- (e) As the entire exercise is meant to do away with the present fragmented approach and to promote an overall view of the KVI sector at the State level, the State Boards, should declare their readiness to help all the approved activities. Obviously, if the institutions on the directly aided list are to come within the jurisdiction of the State Boards, the latter should be ready to support the activities hitherto approved by the KVIC and developed by these institutions.
- (f) The State Boards should, as a matter of policy, transform themselves into service organisations by separating their departmental production facilities and creating a separate organisation for looking after them. The field institutions should be encouraged to think that the Boards are not their competitors, but their friends, philosophers and guides. KVIC can help in this process by adopting suitable financial procedures and policies.

4.25 We are aware that methods and arrangements that have been evolved over the last three decades cannot be replaced overnight. After all, those arrangements have been brought into being for meeting certain practical difficulties. There is no reason to think

that similar practical difficulties will not arise in future. We would therefore, add that the matter should be approached in a flexible and pragmatic manner, keeping all the time in view the need for promoting at the State level an integrated approach to the development of KVI sector, as contrasted from the present fragmented approach. We do hope that the registered institutions now on the directly aided list will also show sufficient understanding of the need for an integral approach.

4.26 We have emphasised the need for reducing direct dealing by the KVIC with the field level implementing agencies, as the number of institutions on the direct list has of late tended to increase involving KVIC in routine type of work such as budgeting and funding these organisations to the detriment of other important functions such as planning and programming, research and development, training, marketing and monitoring of the programme. KVIC is also not able to keep in touch with the enlarged clientele, ensure proper supervision and provide prompt technical guidance and other services. Therefore, there is an imperative need to end the present practice of dealing with a large number of institutions directly as soon as possible and bring into effect the kind of arrangements that are in vogue in respect of Gujarat. We have also been informed that even the directly listed institutions have to work in close co-operation with the State Boards for receipt of matching sales rebate sanctioned by the State Governments which is paid through State Boards, power connections and other special concessions. Further some of the State Governments have accorded purchase preference to the units under the purview of the State Boards which, at present, are not available to directly listed institutions in the respective States. Some of the State Boards are working in close collaboration with other development programmes in different States in which the concerned State Government, State KVI Board, direct dealing institutions, institutions under the State Board would work in a joint venture. Therefore, the trend clearly is towards assigning an increasing important role to the State Boards in implementation of KVI programmes in their respective States. We have taken note of this trend in visualising the future pattern of development. At the same time, we are conscious that performance and competence of the State Boards are not uniformly reassuring. Some of the State Boards may not be able to handle the added responsibility immediately. There is need to strengthen and equip such Boards so that in course of time, they will be in a position to shoulder this responsibility. It has also been brought to our notice that some of the State Boards are unwilling to take khadi work due to non-availability of technical personnel or expertise. Some of the State Boards have some reservation about the institutions registered under Societies Registration Act, 1860. There would thus be need to remove these reservations. This has to be done through special efforts for establishing proper rapport. If need be, KVIC may depute suitable technical personnel to enable the State Board to handle the additional work. As has been stated earlier some of the State Boards have taken up departmental activities which consumes their considerable time and energy. We would like to emphasise that earlier these departmental activities are handed over to suitable institutions, better will it be for the concerned State Board which may enable it to provide

greater attention to other developmental needs. Thus there would be some transitional problems which will have to be handled with proper care. At any rate it should be ensured that work should not suffer on account of the change over. We do not visualise closure of State Offices of KVIC as in our opinion, they would have to play a vital role in maintaining links between the KVIC and the State Boards. All in all, we should move towards reducing direct dealings of the KVIC with the field institutions and suitable steps in this direction may be taken. We advise that the strategy for achieving this aim should be worked out State by State.

4.27 Similarly, the State Governments should decide to make use of the State Boards for coordinating all programme falling within KVI Sector, irrespective of their origins or departments sponsoring them. We had earlier drawn attention to the need for coordination between the KVIC programmes and the anti-poverty programmes such as TRYSEM, IRDP, Tribal Sub-plan, Special Component Plan for Scheduled Castes and Women's Programme. Although all these programmes carry substantial Central assistance and are required to be operated under elaborate guidelines issued by the Central Government, the details are determined and worked out at the State, District and Block levels. The DICs and DRDAs which are State Government agencies are charged with the responsibility of implementing these programmes. The district staff of State Boards are generally associated with these district level agencies, though somewhat loosely. There is great scope for making this association closer and more meaningful as a matter of policy. During our field visits, we have noticed how initiatives taken by local officers under the guidance of the District collectors have brought about the needed coordination and contributed in a large measure to the success of the programmes. We feel that if these arrangements are formalised at the State level and the procedures are uniformly applied in all districts, the KVI sector as well as the related anti-poverty programmes will benefit greatly. Attempts in this direction has been made in Maharashtra where amounts meant for KVIC type of activities under different programmes are placed at the disposal of the State Board and the latter has been instructed to administer them in coordination with the field agencies of the concerned departments. The examples are schemes of Sericulture, Artisans Employment Guarantee Scheme, Western Ghat (Beekeeping), and Special Component Plan. In 1984-85, Maharashtra Board received a sum of about Rs. 2.04 crores on this account. In Tamil Nadu also the State Board is implementing the programmes in collaboration with the State Government Departments. We recommend this practice to other States.

4.28 To make the State Boards equal to the new tasks and competent to face the issues arising therefrom, they need to be reorganised, keeping in view the principles outlined earlier in the context of the national level organisation. Some adaptations to suit the realities and the size of the State or Union Territory are, of course, in order. Basically, we urge that it will no longer do to have a State Board consisting exclusively of non-officials. The Board should combine in its membership the dedication and field knowledge of the constructive

workers on the one hand and the expertise and special skills of professionals on the other. As the State Boards are mainly concerned with problems of implementation, particularly coordination with other departments, it is necessary to include their representatives also. For the same reasons we consider it advisable to make the Minister-in-Charge the Chairman of the Board. If the Minister is overburdened or has too many portfolios, he may be given the power to nominate one of the non-official members as Vice-Chairman. The Board may be composed of 11-12 Members as follows :—

- | | | |
|----|--|-----------|
| 1. | Minister in-charge | Chairman |
| 2. | (2-6) Five non-officials who are associated with or having experience, of whom two representatives of KVI registered institutions, one co-operatives mainly engaged in KVI sector and two experienced, particularly in KVI sector or generally in rural development. | Member |
| 3. | (7-8) Representatives of Departments of Rural Development, Women's Development and Social Welfare (SC & ST) | Member |
| 4. | (9-10) Scientist, economist/marketing expert. | Member |
| 5. | (11) Member of the KVIC representing the Zone in which the State is located or nominee of the Chairman of the KVIC in respect of his zone. | Member |
| 6. | (12) Chief Executive Officer | Secretary |

The State Director of KVIC must be invited to all meetings and accorded the status of permanent invitee. It is hoped that his presence and the attendance of the non-official member of the KVIC at the Boards meetings as a full member will go a long way to build harmonious relations between the KVIC and the Board and to speed up the solution of difficulties that may arise in the implementation of programmes. The Chief Executive Officer of the State Board should function under the overall supervision of the Chairman.

4.29 As the State Board is a statutory body set up under an Act of State Legislature it is necessary for the sake of good order that its annual report and audited accounts should be placed on the table of the Legislature regularly every year. This will give an opportunity

to the representatives of the people to discuss the programme and suggest improvements. It is worth noting that even now Tamil Nadu Government provides a regular occasion for annual review during the Budget session of the Legislative Assembly by treating the appropriation for the State KVI Board as a distinct demand. In Maharashtra, the Public Undertakings Committee of the Assembly has been given the mandate for reviewing the State Board at periodical intervals. These are examples that deserve emulation.

4.30 We have already drawn attention to the need for strengthening the administrative set up at the headquarters of the Boards and in the districts. The head of the administration, i.e. the Chief Executive Officer must be properly chosen from among those who have the aptitude and competence for and experience of rural development, must have a reasonably long tenure and must be given the necessary powers and sufficiently high status to streamline, control and monitor the organisation. It is not enough to say that IAS Officers are being usually posted, without fulfilling the above essential conditions. Some Boards do not have adequate staff of the requisite status in the districts to manage the individual artisans programme under which the beneficiaries come to be scattered widely among the villages. The district Village Industries Officers of the Board should be closely associated with DIC and DRDA and must be delegated with the powers of the Board for sanctioning assistance upto a limit. We have come across instances in which schemes identified by the district officers are held up for long periods pending the convening of the meeting of the Board and the passing of formal resolutions. This practice should be replaced by the procedures in force in some other States (e. g. Tamil Nadu) according to which specific limits of sanction have been prescribed for the different tiers of administration.

4.31 It is of paramount importance that the Boards give greater attention to their financial management and enforce discipline, so as to create confidence in the KVIC and the Banks. The first step is to appoint a competent person as Financial Adviser and Chief Accounts Officer preferably from the appropriate cadre under the control of the State Accountants General and to give him a free hand to organise the accounts and audit set up. It is sad that most Boards are not able to give satisfaction even in such elementary matters as reconciliation of balances and maintenance of accounts up-to-date. We recommend that KVIC should continue the scheme for assisting the Boards in respect of financial management and expand it to include some essential supporting staff. It is desirable to adopt a tapering scale of assistance and lay down a matching contribution by State Government on a gradually increasing scale. Above all, KVIC should be firm, make further assistance to programmes conditional on compliance in this matter and enforce it strictly.

4.32 We have found that a few Boards have set up departmental production units. Details are given in Table 13. In most instances, these activities have increased the liabilities of the Boards. We do not consider this a healthy trend or an appropriate use of the funds provided by the Central Government through KVIC. The Commission's assistance

must be used for promoting registered institutions in the field, cooperatives or individual artisans, the only exception being research or pilot schemes for short periods. Even such exceptions must be specifically identified for assistance and closely monitored. Greater involvement of the Boards in departmental activities of a commercial nature is likely to result in diversion of energy, money and time away from the main task of assisting artisans in villages. We would advise KVIC to draw up a phased programme for withdrawing its support from the existing departmental operations of the State Boards, so that at the end of the three years or so these activities are managed by separate organisations, the exception being the servicing type of activities which act as mother unit like preprocessing plants, soap base unit etc.

4.33 There is no doubt that the scheme of financing individual artisans in scattered villages, though laudable in intent, has placed the administrative resources of the State Boards under a great strain. Identification of the artisan and his felt-need, servicing him at stated intervals, follow up of the financial aid given, advising him on marketing - in fact, every aspect of the scheme has revealed inadequacies in implementation. The main reasons are the inadequate staff and absence of timely and competent supervision. One District Village Industries Officer operating as a member of the DIC cannot manage a scheme of this kind without proper staff and organisational support at the block level. The Maharashtra Board has tried to meet this problem by organising at the block level a Service Cooperative (to be distinguished from a Producer's Cooperative) and compulsorily making the assisted artisan a member of the society. In this arrangement there is no objection to including artisans of different trades as members of the one cooperative. It has been claimed that as a result, the artisans covered rose from 20,000 in 1974-75 to 1.5 lakhs in 1984-85. It is not, however, clear whether this organisational device has helped in solving the problems cited earlier. We suggest that KVIC undertake a sample study of individual artisans helped under the scheme in different States in collaboration with the concerned State Boards, with a view to evaluating the benefits accruing to them, and to evolving a suitable supervisory or monitoring system. Prima facie, when the beneficiaries are dispersed widely and present a great diversity of skills, services and products, a great deal of attention has to be given if good results are to be ensured. Pending the study, we recommend that a post of Village Industries Officer may be created at the block level to work under the supervision of the District Village Industries Officer.

4.34 Even in regard to producers' cooperatives, all State Boards cannot be said to have acquired the necessary powers under the relevant law. In some States like Assam, Kerala, Punjab and Tamil Nadu the Chief Executive Officer of the Board and his subordinates are vested with the powers of the Registrar of Cooperative Societies in respect of Khadi and Village Industries cooperatives. We would advise the remaining States to follow this example.

4.35 The State Board has a delicate role to play in interpreting the KVIC to the State Government and vice-versa. While it depends on the State Government for its establishment expenditure and infrastructure facilities, it draws almost all the money needed for its programmes from KVIC. The percentage of establishment expenditure to programme expenditure ranges from 6 per cent in the case of Goa, Daman and Diu U. T. Board to 161 per cent in the case of Assam State Board. It is necessary, therefore, for the Board to ensure that its relations between the State Government on the one hand and the KVIC on the other are always harmonious and give no cause for complaint. We hope that our recommendations will help in this process. We would add that the Boards could improve their relations by timely sharing of information with KVIC through regular reports and returns, holding detailed discussions with the aided institutions on their annual budgets, fulfilling the terms and conditions of financial assistance prescribed by the KVIC and taking prompt action on the suggestions of the joint studies such as those referred to in para 4.9. The Boards, although constituted under the State Law, must view themselves as integral members of the national network under the leadership of KVIC which is entrusted with the difficult but noble task of creating non-farm employment for the village artisans and the weaker sections.



TABLE 1 (Para 4.9)

KHADI AND VILLAGE INDUSTRIES OUTLAY FOR 1985-90**States and Union Territories**

Sr. No.	Name of the State	Category	Outlay for 1985-90 (Rs. in lakhs)
STATES			
1.	Andhra Pradesh		200.00
2.	Assam	A	366.00
3.	Bihar	A	63.00
		A	250.00
		B	50.00
4.	Gujarat		35.50
5.	Haryana		125.00
6.	Himachal Pradesh		100.00
7.	Jammu and Kashmir	A	70.00
8.	Karnataka	A	5.50
		B	2.00
9.	Kerala	A	40.00
		B	700.00
		B	100.00
10.	Madhya Pradesh		250.00
11.	Maharashtra	A	300.00
12.	Manipur		22.00
13.	Meghalaya		40.00
14.	Mizoram		—
15.	Nagaland	A	40.00
16.	Orissa	A	171.00
17.	Punjab	A	250.00
		B	50.00
18.	Rajasthan	A	350.00
19.	Sikkim		120.00
20.	Tamil Nadu		12.00
21.	Tripura		—
22.	Uttar Pradesh	A	2000.00
		B	500.00
23.	West Bengal	A	3.00
		B	2.00
Total			6,217.00

Sr. No.	Name of the State	Category	Outlay for 1985-90 (Rs. in lakhs)
UNION TERRITORIES			
1.	Andaman and Nicobar Islands		16.00
2.	Arunachal Pradesh		—
3.	Chandigarh		—
4.	Dadra and Nagar Haveli		20.00
5.	Delhi		—
6.	Goa, Daman and Diu		—
7.	Lakshadweep		—
8.	Pondicherry		200.00
Total			236.00

Category 'A' — is funds allocated without any restrictions and reservations.

Category 'B' — is subject to raising of additional resources by the State Government.



TABLE 2 (Para 4.10)
STATE BOARDWISE POSITION OF : (1) LOANS OUTSTANDING, (2) CONFIRMATION OF LOAN BALANCES AND
DEFAULT POSITION UPTO 1984-85
(Rs. in lakhs)

Sr. No.	Name of the Board	Confirmation of loan balances Khadi and V.I. Boards as on			Outstanding loan balances as on 31-3-1985			Default position		
		Khadi	V.I.		Khadi	V.I.	Total	Khadi	V.I.	Total
I. STATE										
1.	Andhra Pradesh	20-2-86	31-3-83		253.29	1,031.91	1,285.20	144.00	405.00	549.00
2.	Assam	Not confirmed	31-3-83		151.62	223.15	374.77	1.85	72.01	73.86
3.	Bihar	31-3-84	31-3-83		207.54	765.18	972.72	17.35	138.29	156.74
4.	Gujarat	31-3-84	31-3-83		1,071.96	882.97	2,584.93	—	—	—
5.	Haryana	31-3-84	31-3-83		68.63	852.08	920.71	2.87	90.39	93.26
6.	Himachal Pradesh	31-3-84	31-3-83		89.08	547.45	636.53	—	80.50	80.50
7.	Jammu and Kashmir	Not confirmed	N.C.		73.04	444.11	517.15	1.58	66.16	67.74
8.	Karnataka	"	"		704.89	1,337.85	2,042.74	54.22	185.55	239.77
9.	Kerala	"	"		781.68	1,391.30	2,172.98	—	—	—
10.	Madhya Pradesh	31-3-84	31-3-83		221.07	477.19	698.26	12.95	134.94	147.89
11.	Maharashtra	31-3-84	31-3-83		55.43	1,018.35	1,073.78	6.01	126.84	132.85
12.	Manipur	Not confirmed	N.C.		9.27	78.84	88.11	1.74	11.37	13.11
13.	Meghalaya	"	"		0.18	13.62	13.80	—	2.73	2.73
14.	Mizoram	—	—		—	—	—	—	—	—
15.	Nagaland	Not confirmed	N.C.		0.46	10.79	11.25	—	—	—
16.	Orissa	31-3-84	31-3-83		84.43	609.60	694.03	27.56	342.36	369.92
17.	Punjab	31-3-84	31-3-83		54.71	792.21	846.92	—	244.87	244.87
18.	Rajasthan	23-12-85	31-3-83		1,041.55	636.24	1,677.79	1.05	101.29	102.34
19.	Sikkim	31-3-84	31-3-83		12.96	6.79	19.75	—	2.41	2.41
20.	Tamil Nadu	31-3-84	31-3-83		1,231.82	1,851.28	3,083.10	69.24	169.95	239.19
21.	Tripura	31-3-84	31-3-83		13.49	22.23	35.72	2.55	7.06	9.61
22.	Uttar Pradesh	31-3-84	31-3-83		222.82	2,278.33	2,501.15	4.04	192.28	196.32
23.	West Bengal	31-3-84	31-3-83		352.44	443.72	796.16	5.17	50.88	56.04
II. UNION TERRITORIES										
1.	Andaman and Nicobar Islands	—	—		—	—	—	—	—	—
2.	Arunachal Pradesh	—	—		—	—	—	—	—	—
3.	Chandigarh	—	—		—	30.35	30.35	—	11.95	11.95
4.	Dadra and Nagar Haveli	—	—		—	—	—	—	—	—
5.	Delhi	31-3-84	31-3-83		0.53	44.02	44.55	—	—	—
6.	Goa, Daman and Diu	—	—		—	31.86	31.86	—	—	—
7.	Lakshadweep	—	—		—	—	—	—	—	—
8.	Pondicherry	31-3-84	—		26.74	11.13	37.87	—	0.26	0.26

N.C. : Not Confirmed.

TABLE 3 (Para 4.10)

CLASSIFICATION OF STATE BOARDS ON THE BASIS OF AUDIT CONDUCTED (AS ON 31-3-86)

A.G. Audit conducted upto	No. of State Boards	Name of State Board
1979-80	2	Assam, Bihar
1980-81	3	Orissa, Delhi and Pondicherry
1981-82	3	Meghalaya, Tripura and U. T. Chandigarh
1982-83	1	West Bengal
1983-84	8	Manipur, Kerala, Uttar Pradesh, Andhra Pradesh, Karnataka, Gujarat Jammu and Kashmir and Tamil Nadu
1984-85	8	Punjab, Haryana, Himachal Pradesh, Goa, Madhya Pradesh, Maharashtra, Rajasthan, Sikkim
No audit	2	Nagaland, Mizoram

TABLE 4 (Para 4.12)

STATEWISE POSITION OF FUNDS DISBURSED UPTO 1984-85 AND THE POSITION OF OUTSTANDING U.Cs. (AS ON 31-3-1986)*(Rs. in lakhs)*

Sr. No.	Name of the State Board	Total amount disbursed upto 1984-85 including Khadi loan and Khadi grant and V.I. Loan and V.I. Grant	Amount involved in outstanding U.Cs. as on 31-3-1986	Percentage
I. STATES				
1.	Andhra Pradesh	2,321.45	936.05	40
2.	Assam	680.80	235.22	35
3.	Bihar	2,136.39	331.27	16
4.	Gujarat	4,128.56	677.81	16
5.	Haryana	1,498.50	391.56	26
6.	Himachal Pradesh	895.95	117.95	13
7.	Jammu and Kashmir	710.62	169.24	24
8.	Karnataka	3,192.76	953.08	30
9.	Kerala	3,046.33	880.88	29
10.	Madhya Pradesh	1,206.56	311.91	26
11.	Maharashtra	2,414.86	217.75	9
12.	Manipur	201.19	15.94	8
13.	Meghalaya	37.20	27.83	75
14.	Mizoram	—	—	—
15.	Nagaland	43.78	42.46	97
16.	Orissa	1,634.47	524.50	32
17.	Punjab	1,420.99	468.37	33
18.	Rajasthan	3,375.96	791.50	23
19.	Sikkim	26.65	2.60	10

TABLE 4 (Contd.)

Sr. No.	Name of the State Board	Total amount disbursed upto 1984-85 including Khadi loan and Khadi grant and V.I. loan and V.I. grant	Amount involved in outstanding U.Cs. as on 31-3-1986	Percentage
20.	Tamil Nadu	4,875.42	939.86	19
21.	Tripura	138.85	39.41	28
22.	Uttar Pradesh	3,242.85	2,095.73	65
23.	West Bengal	1,201.71	479.97	40
II. UNION TERRITORIES				
1.	Andaman and Nicobar Islands	—	—	—
2.	Arunachal Pradesh	—	—	—
3.	Chandigarh	47.06	12.46	26
4.	Dadra and Nagar Haveli	—	—	—
5.	Delhi	50.35	14.34	28
6.	Goa, Daman and Diu	43.63	43.63	100
7.	Lakshadweep	—	—	—
8.	Pondicherry	37.82	5.36	14

TABLE 5 (Para 4.20)

DEPARTMENTAL ACTIVITIES OF SELECTED STATE BOARDS (1985-86)

Name of the State Board	Nature of Departmental activity
I. STATES	
1. Assam	: Khadi, K.G. Sales, Footwear making, C and B, HMP, Soap, Cottage Match, Village Oil, Pottery, Khandsari, Demonstration Centre of Beekeeping, Fibre and Gur.
2. Haryana	: HMP Centre.
3. Jammu and Kashmir	: Beekeeping.
4. Maharashtra	: HMP, Apiculture Institute, Sericulture.
5. Meghalaya	: Cotton Khadi Composite Centre.
6. Nagaland	: Match, Footwear Unit, C and B Workshop Unit.
7. Punjab	: Village Oil, HMP.
8. Rajasthan	: P.C.P.I., Ghani Oil, Gur Khandsari, Palmgur, Cottage Match, Soap, HMP, Beekeeping, Pottery, Leather, Lime, Collection of Forest Plants, Aluminium, Cane and Bamboo.
9. Tamil Nadu	: Khadi, PCP, Ghani Oil, Cottage Match, Gur Khandsari, Palmgur, Soap, HMP, Beekeeping, Pottery, Fibre, C and B, Lime, Fruit Processing, Cane and Bamboo, Polyvastra, Aluminium.
10. Uttar Pradesh	: Khadi Vikas Yojana, Sales Development Scheme, Hill Wool Scheme, Blanket Scheme, HMP, Cottage Match, Raw Material Depots, Village Oil Production and Training Centres.
II. UNION TERRITORY	
Pondicherry	: Khadi

TABLE 6 (Para 4.20)
IMPLEMENTING AGENCIES

Sr. No.	Name of the Board	Registered Institution			Co-operative			Individuals		
		No. Financed	No. Defunct	Amount involved (Rs. lakhs)	No. Financed	No. Defunct	Amount involved (Rs. lakhs)	No. Financed	No. Defunct	Amount involved (Rs. lakhs)
1	2	3	4	5	6	7	8	9	10	11
I. STATES										
1.	Andhra Pradesh	749	686	269.67	1,799	1,325	131.57	31,107	749	30.78
2.	Assam	66	47	3.79	299	267	10.00	5,605	249	0.95
3.	Bihar	—	—	—	2,886	1,308	103.39	19,765	—	—
4.	Gujarat	339	77	192.36	339	196	21.52	2,260	966	14.03
5.	Haryana	766	198	94.67	732	348	29.70	22,410	3,483	84.08
6.	Himachal Pradesh	480	80	25.32	80	51	7.55	11,377	717	28.01
7.	Jammu and Kashmir	3	—	—	1,006	125	3.23	13,583	—	—
8.	Karnataka	1,281	597	134.73	1,826	894	266.54	7,264	714	34.22
9.	Kerala	1,153	268	—	1,867	984	b	11,486	176	250.65@
10.	Madhya Pradesh	263	—	—	846	805	b	8,769	606	60.83@
11.	Maharashtra	857	164	11.16	1,856	1,005	69.59	14,094	2,290	82.02
12.	Manipur	22	N.A.	N.A.	282	N.A.	N.A.	7,772	N.A.	N.A.
13.	Meghalaya	—	2	0.26	7	2	0.16	1,386	8	0.39
14.	Mizoram	—	—	(Recovered)	—	—	(Recovered)	—	—	—
15.	Nagaland	—	—	—	—	—	—	3,105	—	61.77
16.	Orissa	—	—	—	—	—	—	—	—	—
17.	Punjab	828	348	87.99	769	514	10.32	28,426	3,568	26.14
18.	Rajasthan	138	34	17.71	926	251	22.52	67,155	3,741	59.56
19.	Sikkim	—	—	—	—	—	—	350	3	0.27
20.	Tamil Nadu	—	—	—	2,989E	1,649	103.41	32,230	—	—
21.	Tripura	—	—	—	—	—	—	—	—	—
22.	Uttar Pradesh	2,713	1,006	174.90	2,617	1,975	198.12	56,658	15,017	348.39
23.	West Bengal	774	263	31.70	277	127	26.95	26,863	N.A.	N.A.
II. UNION TERRITORIES										
1.	Andaman and Nicobar Islands	—	—	—	—	—	—	—	—	—
2.	Arunachal Pradesh	—	—	—	—	—	—	—	—	—
3.	Chandigarh	47	28	6.82	11	1	0.04	263	14	0.86
4.	Dadra and Nagar Haveli	—	—	—	—	—	—	—	—	—
5.	Delhi	13	6	5.45	1	1	2.27	3,248	549	24.56
6.	Goa, Daman and Diu	37	1	@	—	—	—	1,403	1	0.27
7.	Lakshadweep	—	—	—	—	—	—	—	—	—
8.	Pondicherry	7	—	—	2	—	—	397	—	—

E : Includes institutions.

@ : Includes (a) and (b).

£ : As on 31-3-1985.

N.A. : Not Available

TABLE 7 (Para 4.20)

INDUSTRIES TAKEN UP BY STATE BOARD (1985-86)

Sr. No.	Name of the State Board	No. of Industries	Names of the Industries
1	2	3	4

I. STATES

- | | | |
|-------------------|----|--|
| 1. Andhra Pradesh | 16 | Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non edible Oils and Soap, Handmade Paper, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants for Medicinal Purposes, Fruit Processing and Preservation and Polyvastra. |
| 2. Assam | 16 | Khadi (Woollen Blankets), Village Oil, NEO and Soap, Paddy dehusking, Palmgur, Gur and Khandsari, Leather, High Grade Handmade Paper, Beekeeping, Cottage Match, Carpentry and Blacksmithy, Pottery, Lime Stone, Gas Plants, Fibre, Bamboo and Cane. |
| 3. Bihar | 19 | Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-Edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants and Fruits for Medicinal Purposes, Shellac, Manufacturing of Katha, Fruit Processing and Preservation, Bamboo and Cane, Polyvastra. |
| 4. Gujarat | 24 | Khadi (Cotton, Woollen and Silk), Beekeeping, Cottage Match, Village Pottery, NEO and Soap, Village Leather, Ghani Oil, Handmade Paper, Canegur and Khandsari, Palmgur, Processing of Cereals, Gobar Gas, Lime, Shellac, Collection of Forest Plants, Fruit Processing, Bamboo and Canework, Carpentry and Blacksmithy, Fibre, Aluminium, Katha, Gums and Resins, Polyvastra, Manufacture of Rubber Goods. |
| 5. Haryana | 26 | Khadi (Cotton, Woollen, Silk), Beekeeping, Cottage Match Pottery, NEO and Soap, Leather, Ghani Oil, Handmade Paper Gur and Khandsari, Palmgur, Processing of Cereals and pulses Industry, Gobar Gas, Lime, Shellac, Collection of Forest Plants and Fruits, Fruit Processing, Bamboo and Canework, Carpentry and Blacksmithy, Fibre, Aluminium Utensils, Katha, Gums and Resins, Lokvastra, Polyvastra, Processing of Maize and Ragi, Manufacture of Rubber Goods. |

1	2	3	4
6. Himachal Pradesh	19	Khadi, P.C.P.I., Ghani Oil, Village Leather, Cottage Match Gur and Khandsari, Non-edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants and Fruits for Medicinal purposes, Gums and Resins, Manufacturing of Katha, Fruit Processing and Preservation, Bamboo and Cane, Polyvastra.	
7. Jammu and Kashmir	14	Khadi (Cotton, Woollen), Processing of Cereals and Pulses Industry, Village Leather Industry, Pottery, Carpentry and Blacksmithy, Lime, NE Oils and Soap, Fruit Processing, Aluminium, Handmade paper, Collection of Forest Plants, Katha, Beekeeping.	
8. Karnataka	14	Khadi, P.C.P., Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing.	
9. Kerala	10	Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-edible oils and Soap, Handmade Paper, Beekeeping.	
10. Madhya Pradesh	21	Khadi (Cotton, Woollen and Silk), Processing of Cereals Industry, Village Oil, Village Leather, Handmade Paper, Canegur and Khandsari, Palmgur, NEO and Soap, Cottage Match, Village Pottery, Fibre, Carpentry and Blacksmithy, Beekeeping, Lime, Gobar Gas, Fruit Processing, Bamboo and Canework, Aluminium, Shellac, Katha, Collection of Forest Plants.	
11. Maharashtra	24	Khadi (Cotton, Woollen, Silk, Muslin), Processing of Cereals and Pulses Industry, Ghani Oil, Cottage Leather Industry, Canegur and Khandsari, Palmgur, NEO and Soap, Handmade Paper, Beekeeping, Cottage Pottery, Fibre, Carpentry and Blacksmithy, Lime, Gobar-gas, Forest Plants and Fruits, Shellac, Gums and Resins, Katha, Fruit Processing, Bamboo and Canework, Aluminium, Polyvastra, Sericulture.	
12. Manipur	14	Khadi, PCPI, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Non-edible Oils and Soap, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants and Fruits for Medicinal Purposes, Bamboo and Cane.	
13. Meghalaya	11	Khadi, Processing of Cereals and Pulses Industry, Village Oil, Cottage Leather, NEO and Soap, Beekeeping, Pottery, Fibre, Carpentry and Blacksmithy, Lime and Canework and Bamboo.	

1	2	3	4
14. Mizoram	—	Yet to start work.	
15. Nagaland	9	P.C.P., Village Leather, Cottage Match, Gur and Khandsari, Beekeeping, Village Pottery, Carpentry and Blacksmithy, Lime Manufacturing, Bamboo and Cane.	
16. Orissa	20	Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants and Fruits for Medicinal Purposes, Shellac, Gums and Resins, Fruit Processing and Preservation.	
17. Punjab	23	Khadi (Cotton and Woollen), Processing of Cereals Industry, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, NEO and Soap, Handmade Paper, Beekeeping, Pottery, Fibre, Carpentry and Blacksmithy, Lime, Gobar-gas, Forest Plants and Fruits, Shellac, Gums and Resins, Katha, Fruit Processing, Blacksmithy and Carpentry, Aluminium and Polyvastra.	
18. Rajasthan	17	Khadi, Processing of Cereals and Pulses, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Collection of Forest Plants and Fruits for Medicinal purposes, Fruit Processing and Preservation, Bamboo and Cane.	
19. Sikkim	8	Khadi, PCP, Village Leather, Handmade Paper, Beekeeping, Carpentry and Blacksmithy, Bamboo and Cane, Polyvastra.	
20. Tamil Nadu	15	Khadi, Palmgur, Processing of Cereals and Pulses Industry, Village Oil, Leather, Lime, Beekeeping, Carpentry and Blacksmithy, Fruit Processing, Handmade Paper, Canegur and Khandsari, NEO and Soap, Fibre, Cane and Bamboo, Polyvastra.	
21. Tripura	11	Khadi, PCP, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Beekeeping, Village Pottery, Carpentry and Blacksmithy, Bamboo and Cane.	
22. Uttar Pradesh	25	Khadi (Cotton, Woollen, Silk), Beekeeping, Cottage Match, NEO and Soap, Cottage Leather, Pottery, Ghani Oil, Handmade Paper, Canegur and Khandsari, Palmgur, Processing of cereals Industry, Gobar-gas, Lime, Shellac, Collection of Forest Plants and Fruits Industry, Blacksmithy and Carpentry, Bamboo and Canework, Fibre, Aluminium, Katha, Gums and Resins Lokvastra, Polyvastra, Processing of Maize and Ragi, Manufacture of Rubber Goods.	

1	2	3	4
23.	West Bengal	17	Khadi, PCP, Ghani Oil, Village Leather, Cottage Match, Gur and Khandsari, Palmgur, Non-edible Oils and Soap, Handmade Paper, Beekeeping, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Shellac, Bamboo and Cane, Polyvastra.
II. UNION TERRITORIES			
1.	Andaman and Nicobar	—	—
2.	Arunachal Pradesh	—	—
3.	Chandigarh	9	PCP, Village Leather, Non-edible Oils and Soap, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime manufacturing, Fruit Processing and Preservation, Bamboo and Cane.
4.	Dadra and Nagar Haveli	—	—
5.	Delhi	10	PCP, Ghani Oil, Village Leather, Non-edible Oils and Soap, Handmade Paper, Village Pottery, Fibre, Carpentry and Blacksmithy, Lime Manufacturing, Fruit Processing and Preservation
6.	Goa, Daman and Diu	23	Khadi, Processing of Cereals Industry, Ghani Oil, Leather, Cottage Match, Cane, Gur and Khandsari, Palmgur, NEO and Soap, Handmade Paper, Beekeeping, Pottery, Fibre, Carpentry and Blacksmithy, Lime, Gobar-gas, Medicinal Plants, Shellac, Gums and Resins, Katha, Fruit Processing, Bamboo and Cane work, Aluminium, Polyvastra.
7.	Lakshadweep	—	—
8.	Pondicherry	15	Khadi, (Cotton, Woollen, Silk), Village Oil Industry, Processing of Cereals Industry, Leather, NEO and Soap, Beekeeping, Fibre, Carpentry and Blacksmithy, Pottery, Bamboo and Cane-work, Fruit Processing, Lime, Handmade Paper, Palmgur, Cottage Match.

TABLE 8 (Para 4.20)

STATE BOARDWISE CONCENTRATION OF INDUSTRIES (1985-86)

Industries having 5 per cent OR more share in All India
Production of Village Industries.

I. STATES**Concentration of Industries**

1. Andhra Pradesh	Palmgur (10) Village Pottery (10) Ghani Oil (7) Village Leather (5)
2. Assam	Ghani Oil (17)
3. Bihar	PCP Industry (5) Beekeeping (5)
4. Gujarat	Gur and Khandsari (28) NEO and Soap (16) HMP Industry (6) Pottery (6)
5. Haryana	NEO and Soap (8) Pottery (7)
6. Himachal Pradesh	V. Leather (10) C and B (12) Ghani Oil (12) NEO Soap (6)
7. Jammu and Kashmir	V. Leather (21) PCPI (16) Pottery (12) Cane and Bamboo (12) Ghani Oil (11)
8. Karnataka	PCP Industry (14) Ghani Oil (13) Beekeeping (8) Gur and Khandsari (6)
9. Kerala	Fibre (31) Beekeeping (25) Cottage Match (9) Pottery (6)
10. Madhya Pradesh	Forest Plants (42)
11. Maharashtra	Pottery (30) Village Leather (20) Ghani Oil (15) Fibre (7) HMP Industry (6) PCP Industry (5)

12. Manipur	PCP Industry (6)
13. Meghalaya	—
14. Mizoram	—
15. Nagaland	—
16. Orissa	Fibre (7)
17. Punjab	Fibre (10) NEO and Soap (9) Village Leather (6)
18. Rajasthan	Ghani Oil (10) Village Leather (8) HMP Industry (7) Fibre (7)
19. Sikkim	—
20. Tamil Nadu	Palmgur (71) Beekkeeping (19) Ghani Oil (14) Soap (9) Village Leather (7) HMP Industry (7) PCP Industry (6) Pottery (6) Fibre (6)
21. Tripura	PCP Industry (5)
22. Uttar Pradesh	Gur and Khandsari (38) Village Leather (26) PCP Industry (12) HMP Industry (8) Ghani Oil (6) Pottery (5)
23. West Bengal	Palmgur (10) PCP Industry (5)

II. UNION TERRITORIES

1. Andaman and Nicobar Islands	—
2. Arunachal Pradesh	—
3. Chandigarh	—
4. Dadra and Nagar Haveli	—
5. Delhi	—
6. Goa, Daman and Diu	—
7. Lakshadweep	—
8. Pondicherry	—

TABLE 9 (Para 4.20)

SHARE OF STATE BOARDS IN THE TOTAL PRODUCTION — 1984-85

(Value : Rs. in lakhs)

Sr. No.	States and Union Territories	KHADI			VILLAGE INDUSTRIES		
		States	State Boards	Percentage	States	State Boards	Percentage
1	2	3	4	5	6	7	8
I. STATES							
1.	Andhra Pradesh	746.47	69.20	9	6,505.05	5,576.11	86
2.	Assam	123.44	84.12	68	709.23	633.00	89
3.	Bihar	949.16	75.45	8	4,822.47	4,188.90	87
4.	Gujarat	957.03	941.03	98	2,762.32	2,161.06	78
5.	Haryana	288.29	67.90	23	2,554.54	2,226.27	87
6.	Himachal Pradesh	73.54	19.61	27	1,485.50	1,464.36	99
7.	Jammu and Kashmir	182.83	23.74	13	1,654.76	1,587.45	96
8.	Karnataka	868.15	357.19	41	4,774.51	4,290.93	90
9.	Kerala	355.35	185.64	52	3,446.43	3,095.32	90
10.	Madhya Pradesh	291.48	82.00	28	1,572.49	1,281.35	81
11.	Maharashtra	435.31	22.07	5	11,687.18	10,097.93	86
12.	Manipur	5.02	0.11	2	670.57	667.96	99
13.	Meghalaya	0.11	—	—	238.91	235.91	99
14.	Mizoram	—	—	—	0.11	—	—
15.	Nagaland	2.23	—	—	169.00	167.46	99
16.	Orissa	49.58	9.41	19	1,017.11	982.72	97
17.	Punjab	725.29	38.00	5	3,077.51	2,748.25	89
18.	Rajasthan	1,682.84	664.88	40	5,843.35	5,569.37	95
19.	Sikkim	4.07	4.07	100	11.42	10.97	96
20.	Tamil Nadu	2,684.71	1,058.90	39	12,548.66	11,229.70	89
21.	Tripura	12.16	3.11	26	646.60	643.65	99
22.	Uttar Pradesh	3,883.54	207.36	5	12,407.94	11,225.76	90
23.	West Bengal	1,144.65	199.71	17	1,325.53	1,089.31	82
II. UNION TERRITORIES							
1.	Andaman and Nicobar Islands	—	—	—	—	—	—
2.	Arunachal Pradesh	—	—	—	1.04	—	—
3.	Chandigarh	—	—	—	202.16	195.80	97
4.	Dadra and Nagar Haveli	—	—	—	0.58	—	—
5.	Delhi	293.92	—	—	405.14	345.95	85
6.	Goa, Daman and Diu	—	—	—	81.58	75.43	91
7.	Lakshadweep	—	—	—	—	—	—
8.	Pondicherry	2.49	2.49	100	37.33	17.23	46
TOTAL		15,761.66	4,115.99	26	80,659.02	71,806.55	89

TABLE 9 (Para 4.20)
SHARE OF STATE BOARDS IN THE TOTAL EMPLOYMENT — 1984-85

(In lakhs)

Sr. No.	States and Union Territories	KHADI			VILLAGE INDUSTRIES		
		States	State Boards	Percentage	States	State Boards	Percentage
1	2	3	4	5	6	7	8
I. STATES							
1.	Andhra Pradesh	0.38	0.06	16	3.94	1.10@	3
2.	Assam	0.38	0.29	76	0.58	0.56	97
3.	Bihar	2.00	0.13	6	0.82	0.69@	77
4.	Gujarat	0.48	0.47	98	0.25	0.20@	80
5.	Haryana	0.21	0.03	14	0.39	0.33	85
6.	Himachal Pradesh	0.06	0.03	50	0.47	0.38	81
7.	Jammu and Kashmir	0.21	0.03	14	0.29	0.27	93
8.	Karnataka	0.43	0.29	67	0.94	0.77	82
9.	Kerala	0.29	0.18	62	1.46	1.10@	75
10.	Madhya Pradesh	0.14	0.04	2	0.27	0.25	93
11.	Maharashtra	0.14	0.01	7	2.89	2.41	83
12.	Manipur	*	*	—	0.18	0.17	94
13.	Meghalaya	*	*	—	0.05	0.04	80
14.	Mizoram	—	—	—	—	—	—
15.	Nagaland	0.01	—	—	0.02	0.02	100
16.	Orissa	0.06	0.01	17	0.68	0.57@	84
17.	Punjab	0.57	0.05	9	0.59	0.38	64
18.	Rajasthan	1.31	0.05	41	1.08	0.90	83
19.	Sikkim	*	*	100	*	*	100
20.	Tamil Nadu	0.88	0.44	50	6.47	1.68@	26
21.	Tripura	0.01	—	—	0.26	0.25	96
22.	Uttar Pradesh	5.08	0.31	6	2.01	1.86	93
23.	West Bengal	0.36	0.07	19	1.11	0.51@	46
II. UNION TERRITORIES							
1.	Andaman and Nicobar Islands	—	—	—	—	—	—
2.	Arunachal Pradesh	—	—	—	0.01	—	—
3.	Chandigarh	—	—	—	0.01	0.01	100
4.	Dadra and Nagar Haveli	—	—	—	—	—	—
5.	Delhi	0.04	—	—	0.05	0.03	60
6.	Goa	—	—	—	0.02	0.02	100
7.	Lakshadweep	—	—	—	—	—	—
8.	Pondicherry	0.01	0.01	100	*	*	100
TOTAL		13.05	3.00	23	24.84	20.76E	84E

E : This includes figure of Palmgur Industry. However, the break up of employment of Palmgur Industry of State Boards and Institutions were not available at the time of compilation.

@ : Excludes figures of Palmgur Industry.

* : Less than 500.

TABLE 10 (Para 4.21)
LOANS OUTSTANDING AS ON 31-3-1985

Sr. No.	Category	No. of State Boards	Names of the State Boards
KHADI			
1.	More than Rs. 15 crores	Nil	
2.	Rs. 10 crores to Rs. 15 crores	3	Gujarat, Rajasthan and Tamil Nadu.
3.	Rs. 5 crores to Rs. 10 crores	2	Karnataka, Kerala.
4.	Rs. 1 crore to Rs. 5 crores	6	Andhra Pradesh, Assam, Bihar, Madhya Pradesh, Himachal Pradesh and West Bengal.
5.	Less than Rs. 1 crore	13	Haryana, Himachal Pradesh, Jammu and Kashmir, Maharashtra, Manipur, Meghalaya, Nagaland, Orissa, Punjab, Sikkim, Tripura, Delhi and Pondicherry.
VILLAGE INDUSTRIES			
1.	More than Rs. 15 crores	2	Tamil Nadu and Uttar Pradesh.
2.	Rs. 10 crores to Rs. 15 crores	4	Andhra Pradesh, Karnataka, Kerala and Maharashtra.
3.	Rs. 5 crores to Rs. 10 crores	8	Bihar, Gujarat, Haryana, H.P., Jammu and Kashmir, Orissa, Punjab and Rajasthan.
4.	Rs. 1 crore to Rs. 5 crores	3	Assam, Madhya Pradesh and West Bengal.
5.	Less than Rs. 1 crore	9	Manipur, Meghalaya, Nagaland, Sikkim, Tripura, Chandigarh, Delhi, Goa and Pondicherry.

TABLE 11 (Para 4.21)
CLASSIFICATION OF STATE BOARDS ACCORDING TO PRODUCTION

Sr. No.	Category	No. of State Boards	Names of the State Boards
KHADI			
1.	Over Rs. 10 crores	1	Tamil Nadu.
2.	Rs. 5 crores to Rs. 10 crores	2	Gujarat, Rajasthan.
3.	Rs. 1 crore to Rs. 5 crores	4	Karnataka, Kerala, Uttar Pradesh and West Bengal.
4.	Less than Rs. 1 crore	14	Andhra Pradesh, Assam, Bihar, Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Manipur, Orissa, Punjab, Sikkim, Tripura and Pondicherry.
VILLAGE INDUSTRIES			
1.	Over Rs. 100 crores	3	Maharashtra, Tamil Nadu and Uttar Pradesh.
2.	Rs. 50 crores to Rs. 100 crores	2	Andhra Pradesh and Rajasthan.
3.	Rs. 10 crores to Rs. 50 crores	10	Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Punjab and West Bengal.
4.	Rs. 5 crores to Rs. 10 crores	4	Assam, Manipur, Orissa and Tripura.
5.	Rs. 1 crore to Rs. 5 crores	4	Meghalaya, Nagaland, Chandigarh and Delhi.
6.	Less than Rs. 1 crore	3	Sikkim, Goa and Pondicherry.

TABLE 12 (Para 4.21)

CLASSIFICATION OF STATE BOARDS ACCORDING TO EMPLOYMENT (1984-85)

Sr. No.	Employment Category	No. of Boards	Name of the State Board
KHADI			
1.	More than 1 lakh	—	—
2.	75,000 to 1 lakh	—	—
3.	50,000 to 75,000	—	—
4.	25,000 to 50,000	5	Assam, Gujarat, Karnataka, Tamil Nadu, Uttar Pradesh.
5.	10,000 to 25,000	2	Bihar, Kerala.
6.	5,000 to 10,000	4	Andhra Pradesh, Punjab, Rajasthan and West Bengal.
7.	1,000 to 5,000	7	Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Maharashtra, Orissa and Pondicherry.
8.	Less than 1,000	4	Manipur, Meghalaya, Sikkim and Tripura.

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VILLAGE INDUSTRIES

1.	More than 1 lakh	5	Andhra Pradesh, Kerala, Maharashtra, Tamil Nadu and Uttar Pradesh.
2.	75,000 to 1 lakh	2	Karnataka and Rajasthan.
3.	50,000 to 75,000	4	Assam, Bihar, Orissa and West Bengal.
4.	25,000 to 50,000	6	Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Punjab and Tripura.
5.	10,000 to 25,000	2	Gujarat and Manipur.
6.	5,000 to 10,000	—	—
7.	1,000 to 5,000	5	Meghalaya, Nagaland, Chandigarh, Delhi and Goa.
8.	Less than 1,000	2	Sikkim and Pondicherry.

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TABLE 13 (Para 4.32)

**STATEMENT SHOWING PROFIT AND LOSS AT DEPARTMENTAL
ACTIVITIES OF THE STATE KHADI AND V.I. BOARDS DURING 1985-86**

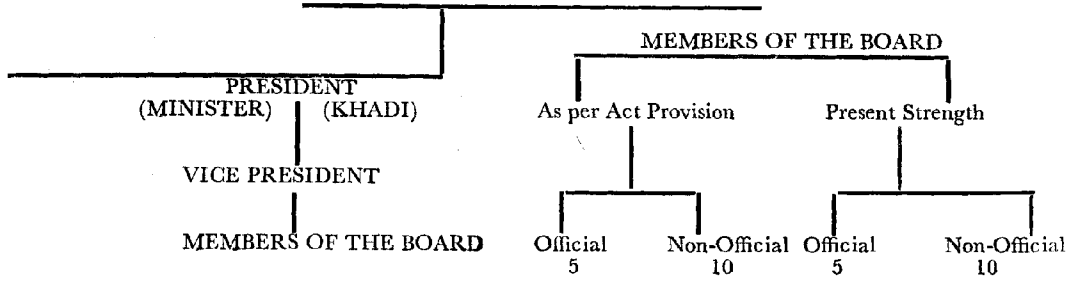
(Rs. in lakhs)

Sr. No.	States	Profit Loss		Accumulated so far	
				Profit	Loss
I. STATES					
1.	Andhra Pradesh	—	13.71	—	82.00
2.	Assam	—	14.71	63.54	—
3.	Bihar	—	1.47	—	21.72
4.	Gujarat	—	—	—	—
5.	Haryana	0.10	—	N.A.	—
6.	Himachal Pradesh	Closed	—	—	—
7.	Jammu and Kashmir	—	—	—	—
8.	Karnataka	—	—	—	213.88
9.	Kerala	5.03	—	—	3.44
10.	Madhya Pradesh	7.78	—	11.35	—
11.	Maharashtra	—	0.04	N.A.	—
12.	Manipur	N.A.	—	—	N.A.
13.	Meghalaya	—	—	—	—
14.	Mizoram	—	—	—	—
15.	Nagaland	—	0.82	—	1.72
16.	Orissa	—	—	—	—
17.	Punjab	—	—	—	—
18.	Rajasthan	1.02	—	12.87	—
19.	Sikkim	—	—	—	—
20.	Tamil Nadu	N.A.	—	—	N.A.
21.	Tripura	—	—	—	—
22.	Uttar Pradesh	—	—	—	8.26
23.	West Bengal	—	12.15	—	109.91
II. UNION TERRITORIES					
1.	Andaman and Nicobar Islands	—	—	—	—
2.	Arunachal Pradesh	—	—	—	—
3.	Chandigarh	—	—	—	—
4.	Dadra and Nagar Haveli	—	—	—	—
5.	Delhi	—	—	—	—
6.	Goa, Daman and Diu	N.A.	—	—	—
7.	Lakshadweep	—	—	—	—
8.	Pondicherry	1.63	—	N.A.	—

N.A. : Not Available

ANNEXE I (Para 4.12)

TAMIL NADU KHADI AND V. I. BOARD

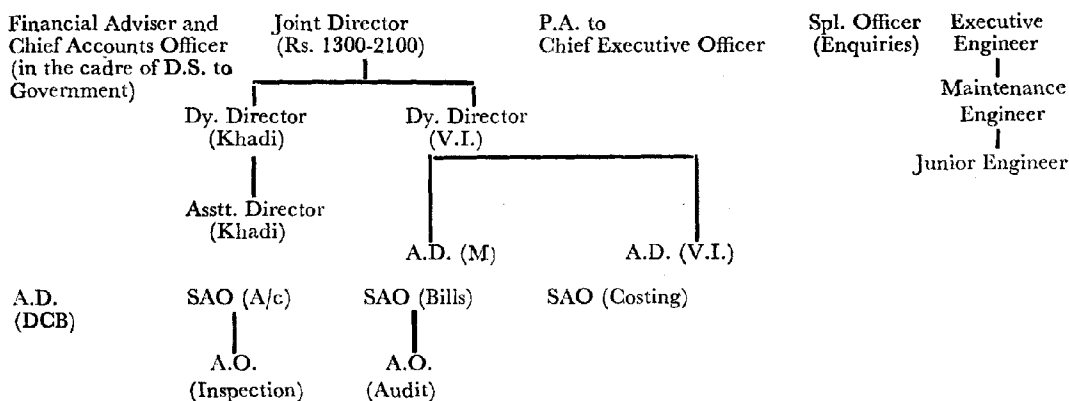


Commissioner/Secy. to Government, Ind. Dept., Non-Official, C.E.O., F.A. of the Board

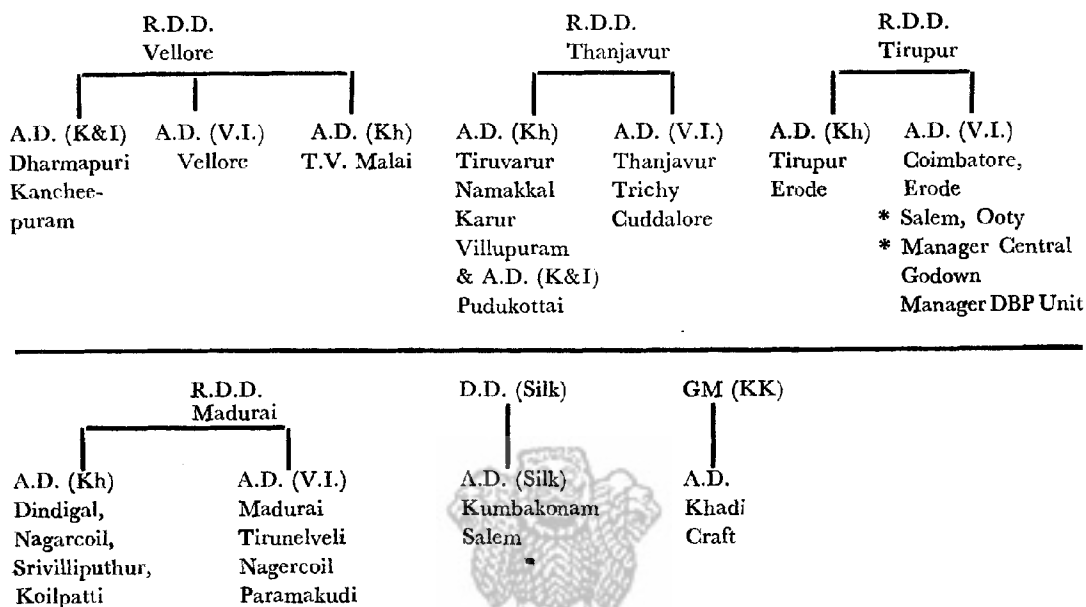
Standing Finance Committee	Staff Selection Committee	Staff Disciplinary Committee	Programme Meeting
1. V.P. (Chairman)	1. Non-Official (Chairman)	1. Secretary to Government Ind. Department	1. Chief Executive Officer
2. Non-Officials (Member)	2. Director of Ind. and Commr.	2. C.E.O.	2. Financial Advisor
3. Non-Officials (Member)	3. Member (Non-official)	3. Member	3. Member (Non-official)
4. C.E.O.	4. C.E.O.		4. Member (Non-official)
5. F.A.			

ANNEXE I—(Contd.) (Para 4.12)

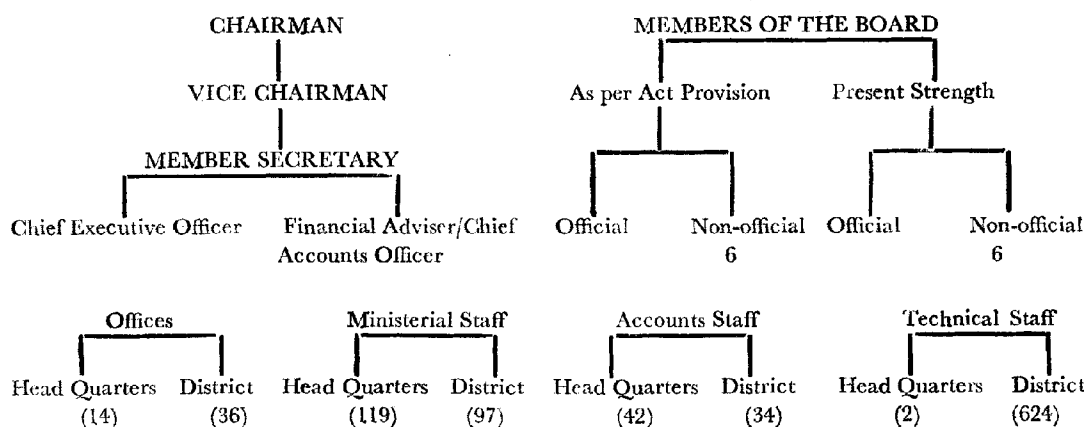
**TAMIL NADU KHADI AND V.I. BOARD (ORGANISATION IN CENTRAL OFFICE)
CHIEF EXECUTIVE OFFICER (IN THE SENIOR I.A.S. OFFICER CADRE)**



TAMIL NADU KHADI AND V.I. BOARD (DISTRICT SET UP) CHIEF EXECUTIVE OFFICER

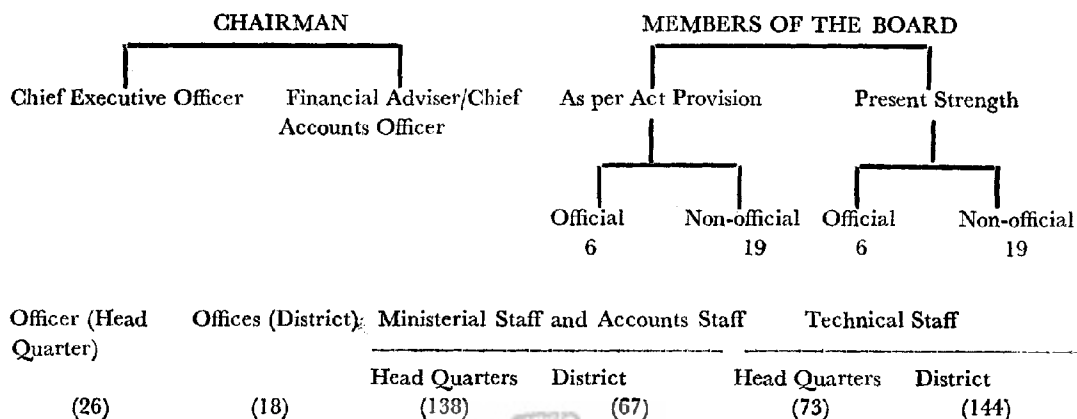


**ORGANISATIONAL ASPECTS (V)
MAHARASHTRA STATE KHADI AND V.I. BOARD (MAHARASHTRA)**



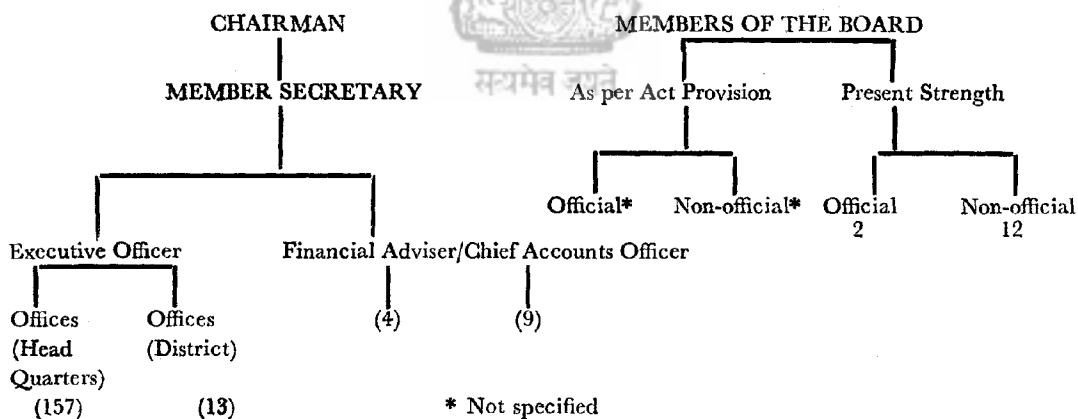
ANNEXE I—(Contd.) (Para 4.12)

**ORGANISATIONAL ASPECTS (V)
KARNATAKA KHADI AND V.I. BOARD BANGALORE**



ANNEXE I—(Contd.) (Para 4.12)

**ORGANISATIONAL ASPECTS (V)
GUJARAT KHADI AND V.I. BOARD AHMEDABAD**



CHAPTER 5

ORGANISATION FOR THE FUTURE — FIELD LEVEL

In para 1.22 we took note of the growth in the field level organisations since 1955-56. In the beginning there was a marked preference for the kind of institutions that could be registered under the Societies Registration Act, 1860. Gandhiji and his associates thought that creation of employment opportunities through khadi and village industries was a charitable activity within the meaning of the Act of 1860 and that the legal entity or juristic personality envisaged under the Act would have the necessary flexibility for trying out their ideas of trusteeship. It may be recalled that the pioneers of khadi and village industries movement depended for their meagre capital requirements on voluntary donations and they were actively conscious of their obligations as trustees in-charge of the donated amounts. With the Government stepping in with funds after Independence, the trusteeship concept receded into the background. Other concepts such as accountability of public funds through control by governmental authorities and democratic functioning of the organisation gained in importance. Further, the Central Government as well as the State Governments generally preferred the cooperative form. This became particularly pronounced after the All India Rural Credit Survey Report of the Reserve Bank of India and the wide ranging decisions taken for restructuring rural credit institutions. It was thought that the conditions prevalent in village industries of the traditional kind such as the clustering of artisans and their linkages with the village economy could be better tackled through cooperative societies. Karve Committee on Village and Small Scale Industries (1955) made specific recommendations for the co-operativisation of rural artisans. KVIC followed up by offering financial assistance to co-operatives and actively encouraged their promotion. These considerations explain the fact that between 1955-56 and 1984-85 the number of co-operatives increased from 60 to about 30,000 while the number of registered societies rose to 1,148 only from 242. In the recent years, however, the co-operative form has lost its attraction to some extent, as a large percentage of the cooperatives have become dormant. Also, they have not been able to provide adequate service to artisans who are scattered over wide areas. The State Boards have accordingly been allowed to deal directly with individual artisans. In some cases, small artisan entrepreneurs who besides working with their hands engage hired labour have also been made eligible for assistance. Despite all these developments, the statistics show that the registered societies and co-operatives account for the major portion of the production and employment in the KVI Sector. Table 1 shows the Statewise particulars of the different types of implementing agencies. We will consider in this Chapter the important problems relating to these two forms of organisations.

5.2 Broadly speaking, the form of registered society is predominant in khadi while the co-operative form is preferred for village industries. 194 co-operatives those are working only can boast of having some khadi activity, mainly in wool and silk. In 1985-86 KVIC

has classified 181 institutions as major i.e. with production and/or sales of more than Rs. 1 crore, 445 institutions as medium with production and/or sales between Rs. 25 lakhs and Rs. 1 crore and 428 institutions as small with production and/or sales of less than Rs. 25 lakhs. The Commission has also identified 250 institutions as problematic requiring special attention. Most of the small institutions are found in the States of Uttar Pradesh and Bihar. The majority of the major institutions is located in Tamil Nadu, Uttar Pradesh, Karnataka, Bihar and Rajasthan.

5.3 We have come across many instances in which the registered societies organised mainly for khadi development have begun to take up village industries in recent years. We consider this a healthy development and KVIC should actively persuade other registered societies also to diversify their activities. Diversification is recommended for two reasons : first, the societies will be able to improve their cash flows; and second, the local knowledge, organisational expertise and the reputation for dedicated work that many societies have built up over a period of time could be employed with advantage for developing the full potential of the KVI Sector in their respective areas of operation. We think that the best way of achieving the target of covering all viable clusters of villages with KVI activities before the end of the century, as envisaged in Chapter-2, is to call upon the existing registered societies to prepare action plans for their areas and to extend to them the necessary assistance for implementing those plans after due approval. In our view the registered societies are in a comparatively better position than co-operatives to draw up area plans and to undertake multiple activities as necessary. Co-operatives are often required to restrict themselves to one or two activities depending upon the composition of their artisan members. In the case of registered societies, there are constructive workers whose managerial skills and spirit of dedication can be used for the development of multiple activities. If properly oriented, the registered societies can also be used in promoting co-operatives among specific groups of artisans wherever that form of organisation is considered to be the most suitable. They can be invited to participate in spear-head teams that KVIC and the State Boards may jointly set up, on the analogy of the National Dairy Development Board, for educating the artisans on the modalities and the benefits of the co-operative method, for organising co-operative societies and for running them in the initial period.

5.4 According to KVIC, it has covered 1.5 lakh villages out of 5.6 lakh of inhabited villages in the country. However, we have noticed discrepancies in the statewise break up of this figure. We understand that a village is treated to have been covered even if one artisan living therein has been assisted by KVIC or the State Board concerned directly or through their implementing agencies in the field. We are unable to agree with this definition of the term "coverage". The data compiled on this basis would at the most indicate that the KVIC and its agencies have reached 1.5 lakh villages. Properly speaking, a village can be said to have been covered only when a substantial number, say 20 to 30 per cent of the artisans living therein are brought within the programme. We would, there-

fore, advise the KVIC to devise suitable methods to develop accurate data on coverage. This may be treated as part of the exercise of preparing area plans for covering all the viable clusters of villages before the end of the century recommended in Chapter 2.

5.5 Answers to our questionnaire and our discussions with the representatives of registered institutions and other knowledgeable persons have thrown up the following important organisational issues for consideration by the Committee :

- (a) optimum size of area of operation of registered society;
- (b) emoluments and other service conditions of constructive workers;
- (c) reluctance of societies to enter into virgin areas;
- (d) what is generally referred to as inter-locking; and
- (e) certain ambiguities relating to the legal frame work.

We are informed that the KVIC has already appointed a Group under the Chairmanship of Shri Jagpat Dube, its Member-Secretary to go into the question at (b). To avoid duplication, we confined our attention to the remaining issues. We formed a small Group under the Chairmanship of Shri V. S. Page to assist us. This Group gave us useful insights in regard to points at (d) and (e).

5.6 On the question of the optimum size of a registered society, we fully endorse the approach of KVIC in discouraging the continuance of giant-sized institutions with jurisdiction over several States, and persuading them to establish smaller institutions with the area of operation of each limited to a district or so and transfer their activities to the latter. Experience has shown that this process of decentralisation has given considerable impetus to the KVI movement and has provided opportunities for young constructive workers to develop their abilities at various levels. Initially, some problems were no doubt encountered when large institutions like Gandhi Ashram, Tamil Nadu Sarvodaya Sangh, Bihar Khadi Gramodyog Sangh, Khadi Ashram, Panipat etc., were asked to decentralise their activities among several institutions with smaller areas of operation. But these problems have since been sorted out satisfactorily. Now, there is a feeling in some quarters that even the district is too big an area and there is scope for further decentralisation. Block is sometimes mentioned as an ideal area for a society. We should hesitate to take a rigid view on this matter as conditions differ widely in the field. Moreover, it is only recently that the new societies with districts as their areas of operation have come into being and they should be allowed to work for a reasonably long period before any further exercise is undertaken to divide them for creating smaller units. It would be more fruitful to press these District Societies to prepare plans for covering all blocks within a time frame and to decide on the basis of such plans the necessity for organising separate societies for some or all blocks or even for smaller units.

5.7 In this context it will be relevant to draw attention to the findings of a case study of Khadi Gramodyog Saghan Vikas Samiti, Bassi Block, Rajasthan, which was conducted at our instance by the Centre for Studies in Decentralised Industries with the financial aid by IDBI. This Samiti was set up in 1966 with jurisdiction limited to Bassi Block, in accordance with the KVIC's policy of decentralisation, by the Khadi Gramodyog Samiti, Chomu, whose activities were spread over several districts in Rajasthan. The aim was to develop a three tier structure of work centres at Block, Nyaya Panchayat and Gram Panchayat levels. It was thought that the Samiti would grow into an independent and autonomous body at the block level and would help in intensifying the development of khadi and village industries as an integral part of the overall development of the area. The objectives of the Samiti included eradication of poverty among the unemployed and under-employed workers through khadi and village industries as well as the promotion of area self-sufficiency, gram swaraj, gramdan, shanti sena and gramabhimukh khadi (village-oriented cloth production). The study revealed that the Samiti succeeded in setting up production and sales centres at the block level and in all the seven Nyaya Panchayats. It was not, however, possible for the Samiti to set up centres at the level of the Gram Panchayats or to involve the latter in its work. Thus a two tier structure has emerged as a result of the efforts of two decades instead of the three tier set up envisaged. It covered about 83 villages or 39.5 per cent of the total of 210 villages and a population of 65,000 or 46.4 per cent of the total of 1.04 lakh persons in the block. The Samiti's objective of providing employment to two workers per village could not be achieved as several difficulties arose in attracting suitable local workers for organising their activities. The Samiti has provided employment opportunities to 2,615 persons in a span of two decades. The conclusions of the Study may be summarised as follows :

First, "measured in terms of decentralisation of set up and coverage of area of operation the Samiti's achievements appear to be quite positive despite its organisational shortcomings". The main shortcomings are dearth of workers, over-emphasis on khadi, deficiencies in management and sales promotion and lack of coordination with block administration, SKVIB and other organisations not dependent on KVIC. Second, although the Samiti may serve as a suitable organisational model for achieving the objective of intensification of KVI activities through a decentralised process, the experience of the Samiti indicates that the progress towards the desired goal is bound to be slow and the gestation period is likely to be long.

5.8 If this model is to be replicated, it is clear that a lot more attention has to be paid for solving the organisational problems. While the formation of separate organisations at the grass-root levels, i.e. at the block level or even at lower levels, may be described as a step in the right direction, such organisations need to be planned more meticulously and their operational problems have to be attended to more promptly if they are to make satisfactory progress.

5.9 As regards point at (b), we would like to make two comments, so that the Commission may take them into account while considering the Jagpat Dube Group Report. First, one of the main reasons for the resentment and the agitational attitude of the workers of the institutions is that the service conditions of the employees of the Commission and the State Boards have been improved more than once while their own conditions have been allowed to stagnate. In this context, it is not sufficient to appeal to their sense of dedication and spirit as sacrifice. At the minimum, some way has to be found to create promotion prospects for the workers of institutions by giving preferential eligibility in regard to some posts under the control of the State Boards and KVIC. Second, we think that while for the purpose of improving the emoluments and service conditions of the employees of the institutions, the margins will have to be raised to some extent. Further, every attempt must be made to improve the economics of the operations. The societies will have to diversify their activities and adopt a market approach. Obviously the higher emoluments of the workers cannot be supported for all time on the basis of specific subsidies or sales rebates.

5.10 The point at (c) has assumed great importance in view of our recommendation to cover all viable clusters of villages by the year 2000. The institutions have pointed out that some ways have to be devised to increase the supply of workers of the necessary calibre and dedication. We believe, it is possible in most instances to recruit persons with the basic qualifications and aptitude from the local areas and train them. For this purpose, it is necessary to evolve a suitable pattern of assistance in respect of these areas as part of the overall plan of action. Assistance should cover not only the capital requirements of the programme but also the personnel needed to promote and supervise the implementation of the programme.

5.11 The point at (d) has become controversial and the relations of the KVIC with its field institutions came under strain as a result. According to the Circular the institutions which have common members in their Boards of Management are said to have "interlocking" arrangements and the certificates of such institutions may not be renewed, thereby depriving them of their eligibility for assistance from the KVIC and other privileges. It was explained that the main purpose of the Circular was to ensure that a few persons do not monopolise the positions in the Managing Committee of a large number of institutions and that each institution has office bearers who can devote their entire attention to the management of its affairs. Most of the constructive workers protested that the Circular amounted to undue interference with the internal management of their societies and adversely affected their voluntary nature. According to them, it prevented the experienced and dedicated workers from providing guidance to new and smaller societies. In view of the widespread protests and criticism, the KVIC decided to go slow in the implementation of the circular. The Page Group to whom the matter was remitted by us for examination has observed that the term "inter-locking" which is generally used in the context of the financial arrangements among companies in the industrial field cannot really be applied to the khadi sector, which

depends entirely on the funds received from the KVIC. According to them, the issue was relevant only for the purpose of ensuring that every institution has a Secretary who can fully devote his attention to it. The Committee thought that while the principle of separate Secretary for each society should be enforced, there is no harm if one person is Chairman in more than one institution. The Page Group considered it desirable to restrict the Chairmanship to two or three institutions. We agree with the approach of Page Committee. We would go further and remove the restriction of 2 or 3 institutions only, in the case of Chairman. Similarly, it is not wise to place undue restrictions on the ordinary membership of the management committee. It may be recalled that a person can be chairman or member of the Board of Directors in about twenty joint stock companies. If such a liberal view has been taken in regard to companies in charge of large funds, there is no justification for limiting the number of institutions to two or three for a Chairman or member of the board in the khadi sector. Often, the presence of an experienced and respected person (this tribe is declining rapidly) as Chairman or member adds to the image of the institution and helps in keeping it on the right track.

5.12 As regards point (c), two kinds of doubts have been raised on the adequacy of the provisions of the Act XXI of 1860, and comparable Acts promulgated by State Governments for registering societies. First, it has been said that the Societies Registration Act, 1860 was meant to improve the legal status of the societies established for the promotion of literature, science or fine arts or for the diffusion of useful knowledge or for charitable purpose and not for organising industrial activities. It is reported that applications for new registration and renewals of old registrations were held up in Rajasthan, Madhya Pradesh, Uttar Pradesh and Bihar for some time, pending the issue of special instructions by the higher authorities in the State Governments. The case for treating the KVI Societies as charitable for the purpose of the Act of 1860 rests on the judgement of Privy Council dated June 27, 1944 in the case of All India Spinners Association Vs. Commissioner of Income Tax, Bombay (Annexe 1) and the fact that the main aim is to provide relief to the poor artisans in the villages. Some registering authorities seem to be questioning the charitable nature of the activities proposed despite the stipulation that they are to be run on no-profit-no-loss basis. Second, the KVIC has been feeling that the Act of 1860 does not provide for necessary control by the financing agency. Now that large public funds are placed at the disposal of these societies, the KVIC thinks that it must have powers under the law to regulate the affairs of the societies whenever necessary. The above doubts have led KVIC to explore the possibility of framing a special law for KVI Societies.

5.13 In 1981, the Chairman, KVIC wrote to the Prime Minister about the need for a special law. He also referred to the Central and Other Societies (Regulation) Bill 1976 (XIV of 1976) passed by the Rajya Sabha but not pursued in the Lok Sabha. This bill was earlier introduced by the Ministry of Education for the purpose of improving the management of certain societies established by the Central Government for carrying out scientific and

educational activities in a Union Territory or in more than one State. The scope was entirely different and could not cover KVI societies set up to operate at district or block level. However, series of discussions were held and finally, the Government informed the KVIC that the Bill introduced in the Lok Sabha in 1976 was not likely to serve the purpose which KVIC had in mind and that an effective control over the institutions could be brought about by strengthening the audit apparatus rather than relying too much on the law. The Government added that if KVIC still felt that certain amendments in the Act of 1860 were unavoidable, it might let the Ministry know. The matter rested there, as far as the KVIC was concerned.

5.14 Now, the Page Group which looked into it at our instance has recommended that a new law incorporating the special characteristics of khadi and village industries may be enacted by the Central Government or at least special clauses be inserted in the relevant Central and State Acts for the protection of the KVI programmes. The Group, did not however, give a self contained list of the special provisions it had in mind. We have culled the following points from their report :

- (a) as most of the KVI societies are formed by persons interested in social service and as most of the ills of these societies are attributable to lack of knowledge of the industries, it should be made mandatory that whole time office bearers in-charge of KVI Societies should have requisite qualifications and experience in respect of the industries concerned;
- (b) KVIC must be empowered to direct that suitable changes may be made in the rules and regulations of the KVI Societies;
- (c) for improving accountability, the KVIC should have powers to insist on the compulsory preparation of annual budget and an efficient internal audit system and enforce compliance with other instructions that may be issued by the financing agency from time to time;
- (d) in the interests of democratic functioning, the institutions should be required to ensure that atleast 1/3 of the members of the Managing Committee are chosen from among the artisans and workers. The Societies should be free to devise in addition other forms of associating artisans and workers in the decision-making process.

Further, the Page Group has advised that the Societies formed under the Act of 1860 may also be registered under the relevant Trust Act with a view to maintain the continuity of the charitable purpose and to provide adequate safeguard against hasty amendments to the conditions attached to the trust property. In the Group's view, KVIC Loan Rules are adequate and there is no need for additional regulatory measures.

5.15 We are aware that the enactment of a special law is a time-taking exercise and should not be undertaken except for compelling reasons. So we tried to examine whether the points raised above could be met satisfactorily under the existing laws. We have come to the conclusion that the special characteristics of KVI sector referred to by the Page Group can be taken care of, if KVIC makes judicious use of its influence and power as a financing agency. There is nothing to prevent KVIC from prescribing the relevant points as terms and conditions of financial assistance and enforcing compliance. By putting them as mandatory provisions in a statute, we are not likely to enhance the capacity to enforce them. The breach of such provision may in theory invite penal action through courts. But what penal action would be more effective than the threat of withholding financial assistance to these institutions? We believe that more than the threat of penal action, what is required is timely monitoring and application of pressure for compliance with the prescribed conditions. It must be remembered that these societies are voluntary associations of persons interested in social work and it would be more appropriate to enforce the desired conditions through the power of the purse than through direct statutory control. At the most, we can think of a special provision in the KVIC Act or Rules made thereunder, to the effect that the KVIC shall have powers to insist on the incorporation of certain principles in the Memorandum of Association of the Registered Society desirous of taking up KVI activities as a pre-condition for the sanction of assistance. While drafting this provision, opportunity may be taken to remove doubts about the charitable nature of the KVIC activities undertaken by these associations in accordance with the principles approved by the KVIC and about their eligibility for registration under Act 21 of 1860 or other comparable State Acts. We are making this suggestion by way of abundant caution. It is well-known that an association which is carrying on industrial activity on very low margins, which is debarred from declaring dividends and which is required to utilise the surpluses, if any, for the good of the community as a whole or a part thereof is said to be fulfilling a charitable purpose. We think that it will facilitate matters and remove doubts if a suitable clause is inserted in the KVIC Act asserting this principle and vesting the KVIC with the power to certify that an association is in fact fulfilling the said principle.

5.16 In this connection, we would like to draw attention to Section 25 of the Companies Act, 1956 which provides for registration of an Association as Company for promoting commerce, art, science, religion, charity or any other useful object, with the intention of prohibiting the payment of any dividend to its members and of applying its profits and other income exclusively in the promotion of its objects. Such a Company need not add the word 'Ltd'. or 'Pvt. Ltd.' as part of its name. It is also exempted from some of the provisions of the Companies Act so as to make its operations less cumbersome. The Government has also issued instructions simplifying the procedure to be followed for registering companies under this Section. Several Associations which have charitable objects have found it convenient to adopt this form of incorporation for organising their activities and raising income for fulfilling their objects. If, for any reason, associations in the KVI Sector are unable to secure

registration under the Societies Registration Act, 1860 or other comparable State Acts, they can take recourse to Section 25 of the Companies Act, 1956. They need not fear being equated with the Joint Stock Companies of the commercial type or being subjected to all rigours of the Companies Act. They can have any name they like without adding the word 'Company', 'Ltd.', etc., the use of which is compulsory in the case of joint stock companies. They have considerable freedom in drawing up their Memorandum and Articles of Association. KVIC will be well advised to include this form of organisation in the list of institutions eligible for its assistance. We may add that our limited purpose in referring to Section 25 of the Companies Act is to make all concerned aware of the suitability of this form of organisation for KVI activities, as it provides more or less the same degree of flexibility and operational convenience as Societies registered under Act 21 of 1860.

5.17 Now we turn our attention to cooperatives in the KVI Sector. At the outset it may be noted that promotion of cooperative efforts among the artisans was specifically mentioned among the functions of the KVIC in Section 15, (2) (g) of the KVIC Act. In the fifties and sixties, the planners and policy makers put great faith in the cooperative method and exhorted everyone concerned to develop cooperatives as the main instruments of development in rural areas. Accordingly, the KVIC and the State Boards undertook drives to organise artisans engaged in village industries on cooperative lines. Table 2 gives industrywise details of the cooperatives in 1985-86. Another Table 3 shows the Statewise breakup. Although a large percentage of the cooperatives is reported to be sick or dormant, we cannot ignore the fact that the village industries stole a march over khadi in the total volume and value of production during the last few years (vide details in para 1.25). The credit for this should in fairness go to the cooperatives which dominated the area of village industries.

5.18 Village Industries Cooperatives can be broadly divided into two categories. One is the producers' society where the artisans work in a unit as a group, more or less on factory lines. This type is found in handmade paper, mangalore tiles, bricks, soap and white pottery industries. The other type is the service society which assumes responsibility for supply of raw materials and provide assistance in the disposal of goods, while the artisans work in their own homes as self-employed persons. The artisans are usually paid by the society on a piece rate basis. The society also maintains sales depots as part of the service to the members. This type occurs in village oil, village leather, matches, agarbattis and processing of cereals and pulses industries. A variant of the second type occurs in Maharashtra at the block level and is called the Balutedar Society. It is meant to be a multi-purpose cooperative, providing a variety of services to different types of artisans. However, these societies are at present, providing some financial services only such as obtaining credit from the Cooperative Banks. Perhaps the block is too big an area for organising other services such as supply of raw materials and sale of goods. The society as at present structured may not also be able to master the peculiar problems relating to different kinds of industries in regard to raw materials and marketing. Experience has shown that rural artisans brought

together in a cooperative of one kind or the other need "cover organisations" at levels higher than the village, which can command the services of competent professionals. How to build such a "cover organisation" and how to arrange for professional services at the right time are questions to which satisfactory answers are to be found. We recommend that the Block Level Society should establish facilities for professional services in regard to raw materials, maintenance of equipment and marketing at the level of clusters of artisans or groups of villages. In our view, it is not necessary to identify this level uniformly for all the blocks so as to correspond strictly with the general administrative grouping such as Nyaya Panchayat.

5.19 We were greatly concerned at the high rate of dormancy among the cooperatives. To study this phenomenon in depth and to suggest remedial measures, we appointed a Working Group with Shri K. P. Padmanabhan, Member of Faculty, Reserve Bank's College of Agricultural Banking, Pune as Chairman. A summary of the Report and a brief account of the recommendations may be seen at Annexe-II. We are grateful to the Group for the analysis of the problem and the detailed action plan including the format for the special surveys. While we generally endorse the approach of the Group, we recommend that the KVIC should examine the details carefully in consultation with the State Boards and the State Governments whose whole-hearted support is necessary for implementing the action plans. Here we shall highlight the important points made by the Group in regard to organisational improvements.

5.20 According to the Group, dormancy in societies financed by the State Boards is as high as 47 per cent. It ranges between 10 per cent in Jammu and Kashmir and 75 per cent in Assam, as may be seen in the statement of Statewise breakup in Annexe-II. The basic reasons for dormancy, which have remained the same over several years, are weak financial base, limited membership, inadequate credit, non-availability of raw materials, inadequate marketing facilities, absence of trained personnel, vested interests, inadequate supervision and control and overall apathy on the part of the concerned authorities.

5.21 The Group has suggested that the dormant societies may be divided into two categories :

- (a) those which have been dormant for less than five years
- and
- (b) those which have been dormant for 5 years and more.

A substantial number seem to fall in the second category. As these societies are also structurally weak with a small number of members and inadequate capital base, it is most unlikely that they could be made viable even with the best effort. Although the Group preferred to liquidate them straightway, it recommended a quick survey in order to make

sure that no society with reasonable prospects gets branded as non-viable simply on account of the length of dormancy. All societies which are dormant for less than five years and the few older cases that may pass the test during the quick survey should then be put through an identification survey with a view to their classification as viable, potentially viable and non-viable. This exercise should yield a list of dormant societies which are really fit for revitalisation. Diagnostic report has to be prepared in respect of each society indicating remedial measures and the actual scheme of revitalisation. In the case of other societies, it may be examined whether they can be amalgamated with other working viable societies in the neighbourhood. If there is no possibility of such amalgamation, they should be placed under liquidation. The group emphasised that the work relating to the surveys should be completed within six months and for this purpose, staff should be drawn from KVIC, State Boards, Cooperative Departments, Departments of Industries and the concerned banks. Before the selected staff are sent out for the surveys, they should be trained for three months at the regional level. An interesting point made by the Group is that simultaneously the working societies should also be similarly classified as viable, potentially viable and non-viable, with a view to initiate suitable steps for preventing them from slipping into dormancy. The non-viable societies should be either amalgamated with others or liquidated while the potentially viable ones should be put through a scheme of revitalisation.

5.22 According to the Group, a cadre of Secretaries/Managers for KVI Cooperatives should be built up under each State Board. Three funds have been recommended to be created, viz : Revitalisation Fund, Share Capital Fund and Managerial Fund. While the second and third funds are to be established through equal contributions from KVIC and State Government/State Khadi and Village Industries Board it is recommended that NABARD should participate in the formation of the first fund which is meant to cover the cost of surveys. The KVI cooperative itself will be required to make a contribution to the Management Fund from the sixth year on a graduated scale. The suggested rates of contributions to the three funds are Rs. 12,000, Rs. 10,000 and Rs. 6,000 per society respectively.

5.23 Other recommendations of the Group that deserve our attention are briefly as follows :

- (a) there should be atleast one supervisor for 20 societies and each society must be visited atleast once in two months by the supervisor. There should be atleast one Inspector for 80 societies and each society must be inspected atleast once in six months in proforma prescribed for the same;
- (b) the State Boards should maintain registers for inspection at District level to watch progress of inspections. The follow-up action on inspection reports should be watched and rectification reports obtained. A Senior Officer of the Board should periodically examine the Registers and follow-up action taken thereon;

- (c) the State Board should maintain registers showing the yearwise arrears in audit of the societies financed by the Boards and arrears in audit should be communicated to the R.C.S./Chief Auditor for taking up of the audit of these Societies on priority basis. A senior Officer of the Board should examine the register periodically and follow up action on audit notes;
 - (d) the maximum credit limit of the KVI cooperatives should be fixed at 15 times of the paid up Share Capital plus reserve and other funds minus losses. Required powers in this respect may be vested with the KVIB, wherever it is not done so far;
 - (e) the working fund scheme of the KVIG should be extended to village industries also;
 - (f) there is impression in some areas that the financial assistance from KVIG/KVIB is available only for production type societies. This ambiguity should be removed by making it clear that finance is available to both types;
 - (g) to meet the overhead expenditure of a service society and also to make it viable, the Society may be allowed to collect the service charges @ 2 per cent on services provided to members such as supply of credit, raw materials, implements and assistance in marketing etc;
 - (h) the present restriction of enrolment of only one member from one family is coming in the way of many genuine artisans becoming members as they belong to the same joint family. It is therefore, suggested that the 'family' should be defined so as to include, husband, wife and dependent children only. This would help artisans in the extended family to become members of the Co-operative concerned;
 - (i) the provision for admitting sympathiser as member in the cooperative has not been utilised in the spirit it was envisaged. It is, therefore, desirable to minimise the number of sympathiser members as far as possible. In any case, it should not exceed 5 per cent of the membership of the society. There should not be more than one sympathiser member in the managing committee;
- and
- (j) all powers of the R.C.S. except audit should be conferred upon the Secretary/ G.E.O. of the State Khadi and Village Industries Boards.

5.24 Both types of field organisations—registered societies and artisans cooperatives—have found it necessary for various reasons to come together and form cover organisations or federal bodies for rendering some important services such as making representations to appropriate authorities, improving the flow of raw materials and selling the goods produced

in distant markets or bulk buyers. The examples are District and State Federations of Palmgur and other Palm Products cooperatives, especially in Tamil Nadu, association of cottage match manufacturers in Tamil Nadu, District Federations of Village Oil Co-operatives, etc. This is a healthy development and should be encouraged by KVIC through appropriate policies and suitable assistance. There is, however, an impression in some quarters that each type of field organisation should have its own federal set up. This impression should be removed as there is nothing in the laws governing the two types of organisations and the nature of their operations to prevent them from affiliating to or participating in the formation of a common federal body. There should be no objection to forming a separate federation for each industry as the problems of industries do differ and need to be handled separately and differently. If a field organisation is active in more than one industry and wishes to be affiliated to more than one federation there should be no bar. In other words, a flexible and pragmatic view has to be taken on the question of links between field organisations and the federal bodies.

5.25 While the common aim of KVIC and the State Boards is to build viable organisations at the field levels so as to cover all the rural artisans within a given period, they should not hesitate to utilise the organisations set up by other developmental agencies in respect of special groups like tribals, women and ex-servicemen. The Tribal Development Cooperative Corporations of Andhra Pradesh, Madhya Pradesh, Maharashtra and Orissa have built up institutional infrastructures of their own, with large sized multipurpose societies (LAMPS) at the grass root level. Similarly, recent emphasis on women's development has brought into being separate organisations for women in several States. Ex-servicemen's organisations have been in existence for a long time and some of them have begun to take interest in village industries. There are also bodies like Leather Development Corporation which are devoted to the promotion of welfare of certain groups through higher and better production. KVIC will do well to examine the possibilities of involving these organisations in its own activities, and avoid unnecessary duplication in promoting new organisations.

5.26 Some knowledgeable persons have urged that KVIC should not hesitate to experiment with new types of field organisations. Two such have been mentioned - individual entrepreneurs and guilds of artisans. The first is based on the analogy of the small industry sector. Considering that the main objective of the KVIC has always been to help the village artisan, improve the economy of his operations, and to protect him from exploitation by traders and other middlemen, we are not in favour of KVIC's assistance being made available to the individual entrepreneurs who often tend to acquire the characteristics of middlemen. Exception may be made in the case of an artisan who has turned into an entrepreneur due to the techno-economic compulsions of the unit concerned provided that the interests of the other artisans employed by him are properly safeguarded by making suitable provisions in the rules of the organisation. All such organisations, it may be recommended, will have to be registered under some law so as to acquire the status of a legal entity. As regards the

guilds of artisans, the argument runs as follows: the co-operative form is cumbersome and is subject to detailed control and unnecessary interference by the Registrar of Co-operative Societies and if the artisans are to be free to have the byelaws of their own choice for their associations or guilds, they may choose a form other than co-operative. Here again the status of a legal entity can be acquired only by registering under some law or the other. The form of registered society under the Act of 1860 of the Co-operative State Act gives considerable freedom and flexibility. We have also referred to Section 25 of Company Act. In our opinion, there is no need to promote a new law for the purpose. KVIC may draw up model Memorandum and Articles of Association or bye-laws and guide groups of artisans to form guilds of their own, if necessary, after satisfying itself that they can be viable and deserve to be assisted.

5.27 Before we conclude this Chapter, we wish to refer to the proposal to use Panchayati Raj organisations as implementing agencies at the field level. It is worth noting that although a gram or village panchayat, a panchayat samiti, a municipality, a zilla parishad or any similar body established under any State law has been declared to be eligible borrower under KVIC Loan Rules 1958, no financial assistance worth the name has been given to any of these bodies by the KVIC during all these years. We have been informed that the State Boards of Assam, Rajasthan and West Bengal did sanction some funds to the Panchayat Samities in their respective States. According to the reports available, these attempts to involve Panchayat Samities did not meet with success. Some legal difficulties were encountered. The Panchayat Raj bodies could neither organise production on a departmental basis nor assist individuals. At any rate KVIC was not happy with the idea of sanctioning funds to these bodies as in its view they are unsuitable for the work in question. It, therefore, advised the State Boards not to finance the Zilla Parishads or Panchayat Samities directly. During our tours, we found that the West Bengal Government is still keen on allocating an active role to its Gram Panchayats in regard to the promotion of village industries. In view of the history of the matter and the serious reservations entertained by the KVIC as well as the increasing politicisation of the Panchayati Raj bodies, we are inclined to recommend that while these bodies can play an important part in identifying the village industries to be promoted in their area, the artisans to be helped and promoting new or assisting the existing field organisations, they may not be given the responsibility for receiving funds from the KVIC or the State Boards or directly managing the production Centres. We think that the time has come to amend the KVIC Loan Rules to exclude these bodies from the class of eligible borrowers.

TABLE 1 (Para 5.1)

STATEWISE IMPLEMENTING AGENCIES OF KVIC 1985-86

(Number)

Sr. No.	States and Union Territories	State Boards	Registered Institutions	Cooperatives*
I. STATES				
1.	Andhra Pradesh	1	44	2,072
2.	Assam	1	14	290
3.	Bihar	1	67	3,107
4.	Gujarat	1	134	869
5.	Haryana	1	27	1,338
6.	Himachal Pradesh	1	7	421
7.	Jammu and Kashmir	1	13	949
8.	Karnataka	1	105	1,399
9.	Kerala	1	33	2,117
10.	Madhya Pradesh	1	30	1,771
11.	Maharashtra	1	31	2,136
12.	Manipur	1	12	307
13.	Meghalaya	1	1	6
14.	Nagaland	1	2	—
15.	Orissa	1	43	3,061
16.	Punjab	1	19	788
17.	Rajasthan	1	105	1,863
18.	Sikkim	1	1	—
19.	Tamil Nadu	1	72	3,013
20.	Tripura	1	1	—
21.	Uttar Pradesh	1	213	4,126
22.	West Bengal	1	160	274
TOTAL I		22	1,134	29,907
II. UNION TERRITORIES				
1.	Andaman and Nicobar Islands	—	1	—
2.	Arunachal Pradesh	—	—	—
3.	Chandigarh	1	—	22
4.	Dadra and Nagar Haveli	—	—	—
5.	Delhi	1	11	24
6.	Goa, Daman and Diu	1	1	—
7.	Mizoram	1	—	—
8.	Pondicherry	1	1	—
TOTAL II		5	14	46
TOTAL I+II		27	1,148	29,953

* : As on 30-6-1985.

TABLE 2 (Para 5.17)

INDUSTRYWISE DETAILS OF CO-OPERATIVES IN 1985-86*

Sr. No.	Industry	(Number)	
		Number of Co-operatives registered	Cooperatives financed
I.	KHADI	1,216	942
II.	VILLAGE INDUSTRIES		
	1. Processing of Cereals and Pulses	3,457	2,464
	2. Ghani Oil	5,366	4,533
	3. Village Leather	4,724	3,348
	4. Cottage Match	446	429
	5. Canegur and Khandsari	2,139	1,667
	6. Palmgur	2,448	2,402
	7. NEO and Soap	992	637
	8. Handmade Paper	184	122
	9. Beekeeping	277	162
	10. Village Pottery	2,601	1,907
	11. Fibre	964	652
	12. Carpentry and Blacksmithy	2,243	1,199
	13. Lime Manufacturing	514	388
	14. Gobar Gas	69	69
	15. Collection of Forest Medicinal Plants	80	33
	16. Shellac (Lac)	10	5
	17. Gum Resins	29	5
	18. Manufacture of Katha	29	16
	19. Fruit Processing and Preservation	86	44
	20. Cane and Bamboo	857	619
	21. Household Aluminium	36	10
	22. Gramodyog Sales Depots	66	66
	23. Multi Industry Societies	535	507
	24. Farm Service	98	98
TOTAL		29,953@	24,189 †

* : As on 30-6-1985.

@ : Slight variation in Statewise and Industrywise (13) because of break-up not available. 474 societies registered in Kerala whose Industrywise break-up is not available.

† : 105 societies financed in Kerala but Industrywise break-up is not available. 1,760 societies financed in Orissa but Industrywise break-up is not available.

TABLE 3 (Para 5.17)

STATEWISE CO-OPERATIVE SOCIETIES 1985-86*

(Number)

Sr. No.	States and Union Territories	Number of Co-operatives registered	Co-operatives Financed
I. STATES			
1.	Andhra Pradesh	2,072	1,799
2.	Assam	290	264
3.	Bihar	3,107	3,058
4.	Gujarat	869	869
5.	Haryana	1,338	780
6.	Himachal Pradesh	421	127
7.	Jammu and Kashmir	949	949
8.	Karnataka	1,399	1,206
9.	Kerala	2,117	1,731
10.	Madhya Pradesh	1,771	1,203
11.	Maharashtra	2,136	2,136
12.	Manipur	307	307
13.	Meghalaya	6	6
14.	Nagaland	—	—
15.	Orissa	3,061	1,760
16.	Punjab	788	788
17.	Rajasthan	1,863	1,586
18.	Sikkim	—	—
19.	Tamil Nadu	3,013	3,013
20.	Tripura	—	—
21.	Uttar Pradesh	4,126	2,268
22.	West Bengal	274	273
TOTAL I		29,907	24,123
II. UNION TERRITORIES			
1.	Andaman and Nicobar Islands	—	—
2.	Arunachal Pradesh	—	—
3.	Chandigarh	22	11
4.	Dadra and Nagar Haveli	—	—
5.	Delhi	24	24
6.	Goa, Daman and Diu	—	—
7.	Mizoram	—	—
8.	Pondicherry	—	—
TOTAL II		46	35
TOTAL I+II		29,953	24,158@

* : As on 30-6-1985.

@ : Statewise break-up is available for 24,158 only.

ANNEXE – 1 (Para 5.12)
(in the Privy Council)
All India Spinners Association
Vs.

Commissioner of Income Tax, Bombay.
Lord Thankerton, Lord Wright and Sir Madhwan Nair
June 27, 1944
(121 TR Page 482)

JUDGEMENT

LORD WRIGHT – This is an appeal from an order dated 8th April, 1944 of the High Court of Bombay (Sir J. W. F. Beaumont, C. J. and Wadia, J.) answering adversely to the appellant a question contained in a reference under Section 66(3) of the Income Tax Act, 1922 (hereinafter called “The Act”) made by the respondent dated the 20th March, 1941. The year of assessment concerned is the year 1936-37, the relevant accounting year being the year ended 31st December, 1935. Throughout the accounting year, the year of assessment the appellant was an unregistered and unincorporated association of individuals. Its activities consisted in the acquisition of yarn and also raw cotton, which was then given out to various poor people to be spun by them into yarn all of which yarn was then given out to other poor people for hand-weaving into cloth. The cloth so produced for the appellant was then sold by the appellant. During the relevant accounting year these activities resulted in a profit to the appellant was assessed to income-tax and supertax for the year 1936-37 on the whole of such profit and income. The question at issue in this appeal is whether the appellant was for the year 1936-37, exempt from liability to income tax and super tax under Section 4(3)(i) of the Act, on the ground that the whole of the profit and income in question was “Income derived from property held under trust or other legal obligation wholly for charitable purposes”. This depends on the true construction as applied to the facts of the case of Section 4(3)(i) of the Act which is as follows :

“(3) This Act shall not apply to the following classes of income : (i) any income derived from property held under trust or other legal obligation wholly for religious or charitable purposes, and in the case of property so held in part only for such purposes, the income applied, or finally set part for application thereto.

In this sub-section ‘charitable purpose’ includes relief of the poor, education, medical relief and the advancement of another object of general public utility”.

The facts stated in the reference can be summarised as follows :

The appellant was formed in the year 1925, and had its origin in a resolution of the All India Congress Committee passed in 1925. It was started for the purposes of the develop-

ment of the village industry of hand-weaving (called Khadi) and weaving of cotton material (Called "Khaddar") by the use of hand looms. The constitution of the appellant is set out in a document without date or signature (Ex. "G" of the record) which was contained in a publication by the appellant called the "Khadi Guide", published in 1931. Clause I of this document is in the following terms:

"Whereas the time has arrived for the establishment of the expert organisation for the development of the hand-spinning and Khaddar and whereas experience has shown that such development is not possible without a permanent organisation, unaffected and uncontrolled by politics, political changes or political bodies, an organisation called the All India Spinners' Association is hereby established with the consent of the All India Congress Committee as an integral part of the Congress organisation but with independent existence and powers".

Certain of the other clauses of the document read as follows :

"Clause 2(A). The said Association shall consist of members and associates and donors hereinafter defined and shall have a Board of Trustees who shall also be the Governing Body of the Association.

Clause 3. That the funds and assets now held by the All India Spinners' Association and its various branches shall vest in the Board of Trustees who shall also be the Executive Council of the Association, and they shall hold the same for the purpose of this Association.

Clause 4. The Council shall have the right to raise loans, to collect subscriptions, to hold immovable property, to invest funds under proper security, to give and take mortgage for the furtherance of hand-spinning and khaddar, to give financial assistance to khaddar organisations by way of loans, gifts or bounties, to help or establish schools or institution where hand-spinning is taught, to help and open khaddar stores, to establish a khaddar service, to act as agency on behalf of the Congress to receive self-spun yarn as subscription to the Congress and to issue certificates and to do all the things that may be considered necessary for the furtherance of its objects, with power to make regulations for the conduct of affairs of the Association of the Council and to make such amendments in the present constitution as may be considered necessary from time to time".

Later clauses of the constitution stated the conditions under which persons could become members of the Association. In particular they were to be over 18 years of age, habitually wearing khaddar and depositing regularly with the Council each month, 1000 yards of self-spun yarn well twisted and uniform. The method by which the appellant worked, and the manner in which its profits were earned were as follows : Out of the funds

in its hands which have mostly been contributed by donations from the public and subscriptions from the members of the Association, the Association buys Charkhas and hand-loom and supplies them to the inhabitants of villages within the limits of the various branches of the Association free of charge and further buys raw cotton and gives the same to the said persons for the purpose of spinning yarn from such cotton. The Association gives a certain wage to the said persons which, in some cases, is the sole source of income to those persons and in others adds to the earnings of the said persons so as to enable them to maintain and support their families. The yarn so spun is taken over by the Association and supplied to the other persons for weaving cloth on hand looms. The Association also buys hand-spun yarn from the said persons who have spun the same out of their own raw cotton, paying them for the same on the basis of the cost of raw cotton and the wages for spinning the same into yarn. The persons to whom all the yarn is handed over for weaving are also paid a certain wage sufficient either in itself or as an addition to the other income of the persons to maintain and support their families. The wages so paid to the spinners and weavers are not based on the current wages prevailing for similar work but are fixed on the basis of giving to the said persons as far as possible an income sufficient to enable them to support their families. The cloth so woven is taken over by the Association and is sold in Khaddar stores established by the Association in various centres by the branches of the Association. The price charged to the public for such cloth is calculated on the basis of the cost price incurred by the Association in the manner hereinbefore stated plus a certain percentage for shop and overhead charges, without any reference to connection with the demand for the same and the price of similar mill cloth sold in the market. In the ordinary course the monies realised by the Association by such sales are a little more or less than the cost calculated on the aforesaid basis. When there is a surplus in the amount realised by the sale of cloth, such surplus is utilised in the same manner as the other funds of the Association inter-alia in getting yarn and cloth manufactured and providing wages for the persons engaged in such manufacture. The Commissioner duly referred the following question with his opinion to the High Court.

“Whether having regard to the objects of the Association and the manner in which they are carried out and the purpose for which its funds are applied, the income of the Association is liable to income tax and/or super-tax”.

His opinion was in substance that the dominant purpose of the Association was political and therefore not charitable and that it was in any event not a charitable purpose, the object of the Association being the promotion and organisation of the hand spinning and weaving industry which was carried out on a strictly trading basis and was in no way different from the activity of a trading concern. The wages paid to the workers were based on the work they did and not on their needs, the object he thought was not the relief of the poor, nor was the object one of a general public utility. At most only a section of the general public could benefit from it. On the reference coming before the High Court in

Bombay, constituted by the Chief Justice and Wadia, J. they answered the question in the affirmative. They based their decision on the ground that assuming as they did for the purpose of the case that the object was the relief of the poor, it still did not fall within Section 4(3) of the Act, because the income was not derived from property held under trust or other legal obligation, for religious or charitable purposes. There was they held, no trust deed nor any clear declaration in trust, and hence no legal obligation to dispose of the income for the purpose of getting yarn and cloth manufactured, and providing wages for the persons employed in the manufacture, though that had been the practice followed throughout by the appellant. On that ground alone they held that section 4(3) did not apply; Wadia J. however said :

“If an Association is set on foot by a political organisation and is connected with it but still had for its real object the relief of poverty, its connection with the political organisation does not in my opinion make its real object any the less charitable”.

Their Lordships agree with that opinion. Their Lordships, however, do not feel able to concur in the decision of the High Court. In their judgement the appellant has brought itself within the exemption contained in Section 4(3)(i) of the Income Tax Act, 1922. They hold that the income sought to be assessed is income derived from property held under trust or other legal obligation wholly for religious or charitable purposes on the basis of the statutory provision that ‘charitable purposes’ includes relief of the poor, education, medical relief and the advancement of any other object of general public utility. It is now recognised that the Indian Act must be constructed on its actual words and is not to be governed by English decisions on the topic. The English decisions of the law of charities are not based upon definite and precise statutory provisions. They have been developed in the course of more than three centuries of the Chancery Courts. The Act of 43 Elizabeth (1601) contained in a preamble a list of charitable objects which fell within the Act, and this was taken as a sort of chart or scheme which the Court adopted as a ground work for developing the law. In doing so they made liberal use of analogies so that the modern English law can only be ascertained by considering a mass of particular decisions often difficult to reconcile. It is true that Section 4(3) of the Act has largely been influenced by Lord Macgaghten’s definition of charity in *Pemsel V. Commissioners for Special Purposes of Income Tax* but that definition has no statutory authority and is not precisely followed in the most material particular; the words of the section are “for the advancement of any other object of general public utility” whereas Lord Macgaghten’s words were “other purposes beneficial to the community”. The difference in language, particularly the inclusion in Indian Act of the word “public” is of importance. The Indian Act gives a clear and sufficient definition which must be construed according to its actual language and meaning. English decision have no binding authority on its construction and though they may sometimes afford help or guidance, cannot relieve the Indian Courts from their responsibility

of applying the language of the Act to the particular circumstances that emerge under conditions of Indian life.

The Judgement appealed from treated the problem under two main headings (1) was there a trust or other legal obligation under which the property from which the income was derived was held; (2) was that trust a legal obligation for the relief of the poor or for any other object of general public utility ? In dealing with these questions it is in their Lordships' opinion necessary to examine the constitution of the appellant Association. It is true that it is an unincorporated body of individuals, but it is assessable and chargeable as such under Section 3 of the Act, as amended by the Indian Income-tax (Amendment) Act 1930 which includes every individual, Hindu undivided family, company, firm and other association of individuals as taxable.

Clause (1) of the constitutions establishes the association as an organisation for the development of hand-spinning and Khaddar. There is the dominant object and purpose of the Association. It is to be permanent organisation, unaffected and uncontrolled by politics, and though established with the consent of the All India Congress Committee as an integral part of the Congress Association, it is to have independent existence and powers. The Statement of the object excludes in their lordships' opinion any question of profit-making and also excludes any element of party politics. Any participation in political propaganda would be ultra vires. Under Clause (3) the "funds and assets" then held by the All India Spinners' Association were to vest in the Board of Trustees, who were also to be the Executive Council and "to hold the same for the purposes of the Association". Clause (4) defines the powers of the Council of the Association, which is to have independent existence and "they are to do all things which may be necessary for the furtherance of its objects". There is of course a special provision enabling the Council to act as an agency on behalf of the Congress to receive self-spun yarn as subscription to the Congress, but that has been rightly, regarded as a separate and independent matter, apart from the general object of the Association and not affecting its freedom from political purposes. There is no power to distribute any surplus income among its members. By clause (20) every person wishing to join the Association must sign an application to be enrolled stating that he has read the rules and forwarding his subscription. On a fair construction of the constitution their lordships cannot agree with the opinion of the learned Judges that no trust or legal obligation is shown binding the Association or its trustees or Council to devote the property of the Association from which the income is derived to the charitable purposes for which the Association was formed, assuming for the moment that the purposes were charitable within the meaning of the Act. It is not really questioned that the practice has been to use the surplus income for the purposes of the Association and that the business has been carried on in pursuance of the primary purpose in addition mainly by beneficiaries of the Association. The practice however is not enough. The purpose is to be ascertained from the constitution. In their Lordships' judgement provision already quoted show a true or

binding obligation so to carry it on. The constitution is a written instrument, the terms of which bind not only the trustees and Council, but the members who by their application for membership accept its rules. Any departure either by the trustees or council or members from the rules. A formal deed is not necessary to constitute a trust, still less to constitute a legal obligation binding the trustees, the council and the member inter se. Their Lordships hold that there is such a trust or at least that there is a legal obligation, which is all that the Section required. It is true that the rules may be altered by the unanimous agreement of all the members. But that is immaterial so long as the rules remain unaltered. The High Court have, it seems attached too much importance to clauses (3) and (4) of the constitution and not sufficient importance to clause (1), which is the constituent and dominant provision.

On that footing a question was suggested that the property of the Association from which the profits were derived was not "held" within the meaning of the section. But clause (3) provides expressly that the funds and assets of the Association are to vest in the trustees, to be held for the purposes of the Association. The High Court seem to have been of opinion that the property from which the profits were derived was the cloth which from time to time was sold. Their Lordships however prefer the view implied in the decision of the Board of Trustees the *Tribune Press, Lahore V. Commissioner of Income Tax*, to which fuller reference will be later made, where the property in question was the stock and goodwill of the press and newspaper. Here the property consisted of the organisation and undertaking as well as in the fluctuating stock of yarn and cloth.

So far the case seems to fall within the exemption of the section. The second and more important point is whether the undertaking is charity. Their Lordships are fully conscious of the importance of applying correct principles in such a matter and do not repeat the reasons for caution stated by the Board in the *Tribune Press* case. The limits fixed by the section must be strictly observed and its definition must be satisfied by the character of the Association and its activities. Whether that is so depends on the true construction of the section and on the meaning and effect of the constitution which defines the character of the Association. The construction of the section is obviously a question of law, but so also is the question what is the real purpose of the Association. The Court must make its decision on the latter point on the basis of the facts found for it, but given the facts the question is one of law. In this particular case the principal fact is the constitution, the true construction of which is again a question of law. The High Court were prepared to assume (in the words of Wadia J.) that "The real underlying object of the Association was to benefit the poor agriculturists in the village specially at that time of the year when they were not actively engaged in agricultural operations".

The Judges in India with their knowledge of Indian conditions are peculiarly qualified to form an opinion on these matters. But their Lordships see no sufficient reason

to doubt the conclusion that the primary object of the Association was the relief of the poor. That would be enough prima facie to satisfy the statute. But there is good ground for holding that the purpose of the Association included the advancement of other purposes of general public utility. These last are very wide words. Their exact scope may require on other occasions very careful consideration. They were applied in the Tribune Press case without any very precise definition to the production of the newspaper in question under the conditions fixed by the testator's will. The Board stated (at p. 256) that : "The object of the paper might be described as the object of supplying the province with an organ of educating public opinion" and that it should prima facie be held to be an object of general public utility. These words, their Lordships think, would exclude the object of private gain, such as an undertaking for commercial profit though all the same it would subserve general public utility. But private profit was eliminated in this case. Though the connection in one sense of the Association with the Congress was relied on as not consistent with 'general public utility' because it might be for the advancement primarily of a particular party, it is sufficiently clear in this case that the Association's purposes were independent of and were not affected by the purposes or propaganda of Congress. Nor is there any ground for the Court holding that the scheme is not one 'which may be : for the public benefit. The Court might in proper cases refuse to admit as charitable schemes, purposes eccentric or impracticable. But though economists might differ about the wisdom of some aspects at least of the Association's purposes, the Court could not hold that it was beyond the pale of legitimate charitable trusts. This general line of reasoning seems to accord with that of the Board in the Tribune Press case. The English cases there cited do not turn on the words 'general public utility', but they illustrate how Courts of first instance in England have actually dealt with the particular questions there submitted to them. Their lordships are of opinion that the appeal should be allowed and the question submitted to the Court answered in the negative. The respondent, will pay the appellant's costs of this appeal and of the proceedings below. They will humbly so advise His Majesty.

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Appeal allowed.

ANNEXE - II (Para 5.20)

**A summary of report and a brief a/c of the recommendations of the
Working Group on co-operation**

A summary of the main findings and recommendations from the report is given below :

Dormancy in KVI Co-operatives

- (i) To promote and encourage co-operative efforts among the manufacturers of khadi and persons engaged in Village Industries has been one of the important functions of KVIC. KVIC has been attempting to fulfil this function with the help of KVI Boards and State Governments. As a result of these promotional efforts the number of KVI co-operatives increased from about 5,000 in the year 1957-58 to about 31,000 in the year 1984-85. However, the number of KVI co-operatives financed by the KVI Boards and actually working are given in the statement enclosed i.e. Annexe 3 (of the report). According to which dormancy in societies financed by KVIBs is 47 per cent. The dormancy ranged between 10 percent in Jammu and Kashmir and 74 per cent in Assam. Statewise percentage of dormancy is shown in Table given below :

TABLE

Sr. No.	Name of the State	Percentage of Dormancy
1.	Andhra Pradesh	73
2.	Assam	74
3.	Bihar	35
4.	Gujarat	51
5.	Haryana	32
6.	Himachal Pradesh	33
7.	Jammu and Kashmir	10
8.	Karnataka	85
9.	Kerala	55
10.	Madhya Pradesh	63
11.	Maharashtra	61
12.	Manipur	43
13.	Meghalaya	50
14.	Orissa	62
15.	Punjab	53
16.	Rajasthan	54
17.	Tamil Nadu	20
18.	Uttar Pradesh	63
19.	West Bengal	42

Reasons of Dormancy

- (ii) However, it must be said that basic reasons for dormancy over the years have remained the same. They are weak financial base, limited membership, inadequate credit, non-availability of raw materials, inadequate marketing facilities, absence of trained personnel, vested interests, inadequate supervision and control, and overall apathy to the problems faced by the industrial co-operatives by the concerned authorities etc. Some of the weaknesses such as difficulties relating to organisation, lack of supervision and appropriate management are internal to the co-operative movement. Some others such as non-availability of raw materials, competition from organised sector are external with which the KVI sector as a whole is faced with.
- (iii) There had also been some difficulty and lapses leading to organisation of some societies which were not genuine co-operatives and some vested interests controlled them. Hasty organisation and registration, without any spade work to educate the prospective members on co-operative principles and business and without making the assessment of the prospects of industries concerned, have caused many failures.
- (iv) Insufficient supervision and lack of periodical inspection are other important reasons for dormancy. The need for an efficient machinery for supervision and inspection of co-operative societies cannot be over emphasised. Many State KVIBs could not build up supervisory cadre to supervise and guide the societies. Periodical inspection is also not being done. Since the formation of State KVIBs, Co-operative/Industry Departments in many States started treating these societies as babies of the State KVI Boards and seldom took care for their supervision, guidance or control. There is much to be desired in respect of co-ordination between State Boards and co-operative/Industry Departments. Unless arrangements for efficient supervision and inspection are made, the dormancy in the societies will go on increasing.
- (v) Timely audit of these co-operatives is as important as continuous and effective supervision and periodical inspection of the society. In many States, however, there is heavy arrears of audit in respect of KVI co-operatives. There is lack of co-ordination between KVIBs and Audit authorities. Follow-up action on audit reports is also lacking.
- (vi) The artisan members themselves are not able to provide business and management expertise. They are also unable to obtain services of efficient and trained secretaries/managers with the meagre resources at the dis-

posal of the society. Due to small scale operation these societies are not able to employ the Managers on regular basis even when some management grant has been provided. The State Government/State KVIBs could not build up any cadre of Managers/Secretaries.

- (vii) As indicated earlier the capital base of these societies is very small. The State partnership in the share capital has not been extended to these societies as has been done in respect of marketing, processing and large size credit/multi purpose societies, except in few cases no grant to augment reserve funds has also been made available to those societies.
- (viii) The structure of Industrial Co-operatives in the KVI Sector is dominated by a small production type industrial co-operatives. The rationale behind the production type societies was that the units which are non-viable on individual scale may be made viable by bringing them under one institution to reap the benefit of scales, organised either in common workshop or in the home of artisans at the joint risk of the members. The artisans traditionally accustomed to individual enterprises however do not seem to have been able to change their attitude and aptitude which may be one of the major causes of failure of these societies. These type of societies being small, can also not be viable in the sense of providing its establishment costs. This leads to re-thinking on the structural pattern of industrial co-operatives in the sector. The search for viability and appropriate organisational pattern resulted in re-orienting the present structure of industrial co-operatives in the village industries sector in the State of Maharashtra by organising Block Level Artisan Multi-industries Services Co-operative Societies fully supported by the State Government. The KVIC intimated the State Governments the pattern evolved in Maharashtra with a request to examine its suitability to the State depending on the local conditions. In some States such as Orissa and Karnataka co-operatives have been formed on this model with local variation. But most of the States have not given any thought to it.
- (ix) As indicated earlier, a large number of KVI Co-operatives are dormant. Preparing any meaningful reorganisation schemes for them has proved difficult in view of their large number. In fact recommendations of earlier committees' could not be put into practice for this very reason. The State Government/KVIB could not take any step for identification of such large number of dormant KVI co-operatives. The group considered the feasibility of individual identification of each of the 21,566 financed societies. From the reports, received from KVIBs, it is seen that substantial portion of the defunct societies are dormant for more

than 5 years. These societies are also structurally weak with small number of members and inadequate capital base. The Group felt that in most of the cases such societies could not be made viable even with best efforts and therefore, the cost of their individual survey and preparation of diagnostic report would not be justifiable.

- (x) The Group, therefore, suggests as a first step to exclude from the identification survey those societies which are defunct for more than 5 years, from 1st July, 1986. However, before putting these societies into liquidation a 'Quick Survey' of their position may be undertaken. This is to exclude the possibility of any reasonably good society getting branded as non-viable simply because it did not function for the past five years. If there are any such cases where revival is possible, then 'Diagnostic Report' of such society has to be prepared.
- (xi) In case of remaining societies (i.e. societies dormant for less than 5 years) 'Identification Survey' has to be conducted, to classify them as viable, potentially viable and non-viable. After this survey dormant societies which are considered fit for revitalisation should be identified. A 'Diagnostic Report' in respect of each such society has to be prepared.

Recommendations in Brief

- (xii) After classifying the existing dormant societies into two categories — dormant for more than 5 years and dormant less than 5 years, 'Quick Survey' is to be conducted for the former to ascertain their position before placing them under liquidation/amalgamation or revitalisation scheme. In respect of other societies defunct for less than 5 years "Identification Survey" to ascertain their viability is to be conducted. The societies which are found fit for revitalisation in the "Quick Survey" and potentially viable under the "Identification Survey" should be taken up for preparation of 'Diagnostic Report' suggesting remedial measures and scheme for revitalisation. Other societies should be placed under liquidation or should be amalgamated with other working societies. The work relating to the surveys should be completed within six months. For this purpose staff should be drawn from KVIC, KVIB, Co-operative Department, Department of Industries and Co-operative Banks in the respective states. The staff should be given training for 3 months at the regional level.
- (xiii) Identification Survey of the existing working societies to classify them viable, potentially viable and non-viable should also be taken up by the inspecting staff of the Boards and the work should be completed within

one year. Non-viable societies should be amalgamated with other societies or placed under liquidation. Potentially viable societies should be taken up for Diagnostic Report and preparation of scheme of revitalisation.

- (xiv) As the State Governments have not undertaken the Identification Survey of KVI co-operatives, the NABARD should allow financing of KVI co-operatives by Co-operative Banks on the basis of Identification Survey conducted by the KVIC/KVIB instead of State Government.
- (xv) The liquidation proceedings of the societies placed under liquidation should be completed within 3 years.
- (xvi) The cadre of Secretary/Manager for KVI Co-operatives should be built up under each State KVIB.
- (xvii) The following funds should be constituted :
 - (a) Revitalisation fund — on an average, Rs. 1,200 per society to be shared equally by KVIC, State Government/KVIB and NABARD to meet the cost of the training of staff for Quick Survey/Identification Survey/Diagnostic Report, their T.A. and D.A. and special remuneration for the work.
 - (b) Share capital fund — on an average Rs. 10,000 per society selected for revitalisation, which should be shared equally by KVIC/State Government.
 - (c) Managerial Fund — Rs. 6,000 per society per year to be shared equally by KVIC and KVIB/State Government to meet the cost of maintaining cadre of Secretary/Manager of KVI co-operatives. From Sixth year, contribution from the society should also be taken on graduated scale.
- (xviii) There should be atleast one Supervisor for 20 societies and each society must be visited atleast once in two months by the Supervisor. There should be atleast one Inspector for 80 societies and each society must be inspected atleast once in six months in proforma prescribed for the same.
- (xix) The Boards should maintain registers for Inspection at District level to watch progress of the inspection. The follow-up action on inspection reports should be watched and ratification report should be obtained. A senior officer of the Board should periodically examine the registers and follow-up action taken thereon.

- (xx) (a) The State Boards should maintain registers showing the yearwise arrears in audit of the societies financed by the Boards and arrears in audit should be communicated to the R.C.S./Chief Auditor for taking up of the audit of these societies on priority basis.
- (b) Registrar Co-operative Societies/Chief Auditor should arrange to send copies of the audit reports of KVI co-operatives to the KVIB who should take the follow up action on the audit reports received by them. A senior officer of the Board should examine the register periodically and follow-up action on audit note.
- (xxi) The State Board should maintain and report statistical data relating to finance production, sales and employment separately for :
- (a) Registered institutions
- (b) Co-operatives
- (c) Individuals
- (xxii) The NABARD should publish the data relating to KVI co-operatives separately as in the case of weavers co-operative societies. The KVIB, should send copy of the Annual Statistical Data, relating to KVI co-operatives to NABARD Office, also while furnishing the same to the KVIC.
- (xxiii) All efforts should be made to finance rural artisans either through industrial co-operatives or any other type of co-operatives existing in the area and if necessary, bye-laws should be amended. Only in such cases where it is found absolutely impossible to enroll them as members of any co-operative, direct financing should be resorted to.
- (xxiv) While the State Boards are directly processing the applications for financial assistance of the registered institutions and individuals, the applications of the co-operatives are routed through Co-operative Department in many States. This puts the co-operatives in disadvantageous position as compared to registered institutions and individuals, because the applications of the co-operatives have to pass several stages in the Co-operative Departments and it takes lot of time. In view of this, even in case of co-operatives, the applications should be dealt with by the KVIB, directly as in the case of registered institutions and individuals.
- (xxv) The maximum credit limit of the KVI co-operatives should be fixed at 15 times of the paid up Share Capital plus reserve and other funds minus losses. Required powers in this respect may be vested with the KVIB, wherever it is not done so far.

- (xxvi) The co-operative Banking system should restructure the administrative machinery as suggested by Damry Committee to enable the flow of institutional credit to Industrial Co-operatives. Industrial Co-operatives should however be allowed to get finance either from co-operative banks or commercial banks.
- (xxvii) The system of cash credit financing as prevailing in the State of Maharashtra is not suitable for illiterate rural artisans. Hence efforts should be made to give them composite loan payable in suitable annual instalments providing the grace period.
- (xxviii) The Working Fund scheme of the KVIC which is extended to khadi industry should be extended to other village industries also.
- (xxix) In view of the failure of the large number of production type of societies, it would be desirable to organise production type of society only where there is concentration of artisans and homogeneity of group. In all other areas service type co-operatives may be attempted. The service type societies may be of single industry or multi-industries as per local conditions. It should have sufficient membership to ensure adequate turnover to make it viable. Its area of operation should be decided as per local circumstances.
- (xxx) In some of the production societies, the work is being carried out by the members individually and even the W.C. provided by KVIB is distributed amongst members individually, but the accounts and data are being maintained in the society to show the transaction in the name of the society. In such cases, the society may be converted into service society by amending the bye-laws and the members should be provided services such as supply of credit, raw materials, improved implements and assistance in marketing, wherever possible, through their co-operatives.
- (xxxix) There is impression in some areas that the financial assistance from KVIC/KVIB is available only for production type of societies. This ambiguity should be removed by making it clear that finance is available to both, production and service type of KVI co-operatives.
- (xxxii) To meet the overhead expenditure of a service society and also to make it viable, the society may be allowed to collect the service charge @ 2 per cent on services provided to members such as supply of credit, raw materials, implements and assistance in marketing etc.

- (xxxiii) The present restriction of enrolment of only one member from one family is coming in the way of many genuine artisans becoming members as they belong to the same joint family. It is, therefore suggested that the "family" should be defined so as to include the husband, wife and dependent children only. This would help artisans in the extended family to become members of the Co-operatives concerned.
- (xxxiv) The provision for admitting sympathiser as member in the co-operative has not been utilised in the spirit it was envisaged. It is, therefore, desirable to minimise the number of sympathiser members as far as possible. In any case, it should not exceed 5 per cent of the membership of the society. There should not be more than one sympathiser member in the managing committee.
- (xxxv) In future no KVI Co-operative should be registered without assuring genuine members and its viability. It is necessary to have a system of trial period before registration of industrial co-operative society.
- (xxxvi) The Board should ascertain the genuineness of artisan members and feasibility of industry as well as viability before agreeing to finance any society.
- (xxxvii) It would be desirable to study and decide about the organisational pattern for KVI co-operatives in different areas in different States according to local conditions. The socio-economic constitution have to be studied for appropriate organisational pattern.
- (xxxviii) Special training course for the Secretary/Manager of the KVI Co-operative may be conducted by the Co-operative Training Colleges/Approved training centres of the KVIC. A calender of course may be drawn up in advance by the Directorate of Co-operation, KVIC. The KVIBs should arrange to sponsor the trainees as they are required to build up cadre of Secretary/Manager for KVI co-operatives at the State Level.
- (xxxix) The KVIBs should have effective co-ordination with State Co-operative Unions for the member education programme.
- (xl) KVI co-operatives are facing serious problems relating to marketing of their products. The following measures in this regard have been suggested :
- (a) Government departments, public sector and other Government aided organisations should patronise the products of KVI co-operatives by becoming their major customers, as obtaining in the State of Gujarat.

- (b) KVIC and KVIBs should give adequate advertisements for KVI products in press, radio, T.V., Cinema and other advertising media to popularise these products.
 - (c) Arrangement should be made in each State by the KVIB for testing and quality marking of the goods produced by the KVI Societies to ensure quality and create confidence among the consumers.
 - (d) More marketing outlets be opened like Emporia, Gramshilpa, exhibitions etc.
 - (e) Exemption from sales and purchase tax as "Class of goods" to KVI products and purchasing of raw material may be extended wherever it has not been done so far.
 - (f) Exemption from octroi duties.
- (xli) Federation/Union of KVI industrial co-operatives have been attempted in the past. Some have succeeded, many have failed. The co-operative structure may be strengthened by organising Federation/Union at district level either as a single industry or multi-industries federation as per local situation. There should be a federation at apex level also, either single-industry or multi-industries. Directorate of Co-operation of KVIC and the SKVIB should study as to which type of pattern will be suitable.
 - (xlii) Co-operation among Co-operatives for production and sale activities has remained unexplored. Different classes of societies in the industrial sector and societies of other sector can co-operate with one another by systematically co-ordinating their business and production activities to mutual advantage.
 - (xliii) KVIC/KVIBs should maintain a raw material bank at convenient locations to supply raw material to KVI Co-operatives which are not in a position to procure themselves. The KVIC should provide adequate funds to KVIB. It would be desirable to create price fluctuation fund to which contribution should be made by KVIC/KVIB/State Government.
 - (xliv) Special consideration should be extended to Industrial Co-operatives in the allotment of quota of controlled materials.
 - (xlv) The recommendations made by the group put additional responsibility on the Directorate of co-operation of KVIC. Co-operation is a technical

subject, and therefore the Directorate of Co-operation should be headed by a technical person. A person appropriately qualified should hold the post of Director Co-operation uninterruptedly for sufficient long period, say, at least for five years. The Director should be exclusively for this work.

- (xlvi) The Directorate of Co-operation should be strengthened adequately to meet the responsibility for implementing the recommendations made by this Group.

For this purpose, it is suggested that there should be one Assistant Director (Coop) in each State and Four Zonal/Deputy Directors (Coop) and one Dy. Director (Coop) at Headquarters at Bombay with supporting ministerial staff.

- (xlvii) Similarly, it is necessary to strengthen the administrative machinery of each KVIB so far as industrial co-operatives are concerned. There should be a senior officer incharge of the KVI co-operatives in each KVIB. He should be assisted by adequate technical and ministerial staff at headquarters and in the field. These officers and staff should have technical background.
- (xlvihi) All powers of the R.C.S. except audit should be conferred upon the Secretary/C.E.O. of the SKVIBs.
- (xlix) For monitoring of action programme committees should be constituted one at Central level, another at State level and third at District level to review the progress of the implementation of the various recommendations and analyse problems arising therein. The Committee should meet at least once in four months at Central level, atleast once in three months at State level and atleast once in two months at District level.
- (l) The Directorate of Co-operation, KVIC should be responsible for smooth functioning of the monitoring system.

CHAPTER 6

FINANCIAL SYSTEM AND PROCEDURE

One of the terms of reference is to review the financial system and procedures and suggest modifications. Accordingly, to begin with, we reviewed the role of the Financial Adviser and suggested in para 3.18 that he should have under his purview the finance function in the KVIC in its entirety and should for this purpose be redesignated as Financial Adviser-cum-Chief Accounts Officer. We also elevated him to the position of a full member of the Commission, so that he will enjoy the authority, prestige and influence necessary for streamlining the financial system on proper lines and for controlling it so as to subserve the main aims and objectives of the Commission. We believe that the removal of defects and introduction of improvements are a detailed and continuous exercise which is better left to the ingenuity and devoted attention of a senior person experienced in financial management. A committee like ours can hardly go into details. All that we can attempt to do is to comment on some important aspects and suggest the lines on which improvements be made.

6.2 KVIC receives almost all its monies from the Government of India out of the annual appropriations voted by Parliament. According to the Audit Report of 1984-85, a sum of Rs. 279.38 crores was received from the Government out of the total receipts of Rs. 293.41 crores. The balance has been shown as receipts from institutions and State Boards by way of repayment of loans, refund of unutilised grants, recovery of advances, net profit from the trading operations and other miscellaneous items. The money received from the Government is by way of loans, advances, grants and subsidies. Barring a small amount towards the trading operations of the KVIC, the entire loan amount is meant for further lending to State Boards and implementing agencies against approved programmes. Advances, which account for a small amount, are against the requirements of the KVIC for meeting the demands of its employees for advances for house building and other purposes. Grants are made up of five components :

- (a) the grant portion of the approved programmes under the pattern of assistance;
- (b) schemes of science and technology;
- (c) rebate on sale of khadi;
- (d) special programmes like Bio-gas and TRYSEM; and
- (e) establishment expenditure of KVIC.

Subsidies are of two kinds : first, for meeting the interest liability of the KVIC on loans obtained from the Government and the second, for paying interest subsidy in the case implementing agencies who have agreed to obtain funds for their programmes from the commercial banks under the new Bank Finance Scheme. The first mentioned subsidy is

really in the nature of book adjustment. The Central Government sanctions money separately for khadi and village industries and the KVIC is required to maintain two separate Funds – the Khadi Fund and the Village Industries Fund. If at any time the amount available in a Fund is in excess of its requirement and the amount available in other fund is not sufficient for its purpose, the KVIC may with the approval of the Central Government transfer from the first mentioned Fund the excess amount or such part thereof as may be necessary to the second Fund. In practice, however, such transfers are rare. No payment from the above said funds can be made without the approval of Standing Finance Committees constituted under the KVIC Act to administer these funds. If some payments are to be made in urgent cases from the above funds in anticipation of the sanction of the appropriate SFC, such payments have to be placed immediately before the SFC concerned for ratification.

6.3 The KVIC is required to submit to the Central Government before the end of October two separate budgets one for khadi and the other for village industries, in prescribed proforma. These budgets are scrutinised by the Government with reference to the annual plan approved by the Planning Commission and a final shape is given after detailed discussions. The KVIC Act has laid down that no sums shall be expended by the KVIC unless the expenditure is covered by a specific provision in the budget approved by the Government. No reappropriation is allowed from khadi budget to village industries budget or vice-versa, or from the loans head to any other head of expenditure or vice-versa, except with the approval of the Government. The KVIC's operations are controlled by the KVIC Loan Rules framed under the Act. The eligible borrowers are listed in Rule 3 of KVIC Loan Rules, 1957. Although Rule 27 empowers the KVIC to sanction loans and subsidies, it has been laid down that the disbursements shall be at rates and terms sanctioned by the Government in respect of each industry from time to time. The Government can modify the rates and terms on its own motion, without consulting the KVIC or obtaining its recommendation. The KVIC's power is limited to reducing the rates in individual cases. Annexe-I gives the list of financial items for which prior approval of the Government is necessary. We consider that this list needs to be reviewed.

6.4 Notwithstanding the provision in the Rules, Government of India empowered the KVIC, as early as in August, 1958, to formulate patterns of assistance for different schemes. Accordingly a Standing Patterns Advisory Committee was set up in 1963 by the KVIC "to review from time to time the various patterns of assistance available for khadi and village industries from the point of view of adequacy, continuation and utility and examine such cases which involve deviation from the prescribed patterns and make suitable recommendations and also recommend new patterns". Pattern Committee was reconstituted with representative of NABARD in March 1983. The Committee met 74 times till September, 1986. It is assisted by a Cell in the Directorate of Economic Research which studies the working economics of the various schemes and prepares the necessary data for the consideration of the Committee.

6.5 The summary of the various patterns of financial assistance may be seen at Annexe-II. The following questions are often raised about the patterns : First, is the grant element in the case of tools and equipment, 50 per cent in the case of individual and 20 to 40 per cent in the case of institutions, comparable to the levels prescribed under IRDP* and other programmes? Is the reduction of the grant element in the case of institutions supported by economic considerations? Second, is the division of assistance into loan and grant reasonable and in full conformity with the repaying capacity inherent in the particular activity? Third, is the amount sanctioned for buildings and other items of infrastructure adequate for completing them according to the approved plan? Or, in other words, is the assumption about the contribution of the implementing agency towards a part of the total cost such as the cost of land realistic? Fourth, is the division of the total capital requirement into fixed capital and working capital realistic and good enough to help produce marketable goods of quality?

6.6 We have noticed during our tours that the artisans and their institutions engaged in different industries are hard put to repaying the loans taken towards tools and equipment and infrastructure with the result that the amount due from them are being deducted from the amounts they are declared to be eligible under the programme for the year towards working capital and items of grant and subsidy. Often they are compelled to receive in practice smaller sums for other legitimate purposes. This is not conducive to the expansion of production or even for maintaining the previous level. Instances of cash repayments out of the surpluses earned are indeed rare. The Patterns Cell will do well to study this phenomenon in greater depth and provide the data for a thorough reconsideration of the ratio of loans and grants. As regards the third question there are two valid points which deserve consideration. It is well known that the cost of construction varies from one part of the country to another. It is also generally recognised that as a result of inflationary pressures the costs of construction do escalate from time to time. These difficulties can be solved if a system of review of costs at shorter intervals on regional basis is evolved, and the KVIC authorises a small committee to go into these aspects at periodical intervals at least once in a year and approve the modified rates. Here, we must note with appreciation the initiative taken by the KVIC to evolve separate patterns of assistance for hill, border, tribal and backward areas. The fourth question calls for careful consideration of the technology employed and the need for introduction of improved equipment for increasing productivity or marketability and for approving an appropriate increase in the fixed capital component. At present, in khadi, 14 per cent of the investment only accounts for fixed capital. The corresponding figure for village industries is 32 per cent. Here, again, studies in depth will have to be undertaken for determining whether the fixed capital component has to be raised. Sometimes, facilities in the nature of infrastructure become essential if improved technology is to be introduced. For example, pre-spinning and weaving equipment cannot be installed

* For ISB Component under IRD assistance to the extent of 1/3 of the scheme is provided as capital subsidy by DRDAs and 2/3 by the banks as loan. For infrastructure the extent of subsidy is 50 per cent and balance from banks.

in the existing cottages of weavers and some provision has to be made for workshed or additions to cottages. We were informed that the KVIC has raised capital components to 30 per cent in the case of khadi and 50 per cent in case of village industries; as a result productivity and marketability will improve considerably.

6.7 According to KVIC Loan Rules, the KVIC can lend to State Governments, State Khadi and Village Industries Boards, Registered Societies and Cooperatives engaged in khadi and village industries and subject to some limits, individuals. However, the KVIC has so far restricted regular lending to State Khadi and Village Industries Boards and Registered Societies and allowed the former to meet the needs of cooperatives and individuals and trusts. The KVIC holds detailed discussions with the Boards and the directly aided institutions before the commencement of the financial year with a view to assess their requirements for the ensuing year. This scheme enables the borrower to retain the amount of loan given for the purpose of working capital so long as it maintains the appropriate value of production in conformity with the approved formula. The total requirements do naturally include the amounts required for expansion of old programmes approved by the KVIC in accordance with the patterns of assistance. The next stage is the completion of documents by the Boards or the Institutions. Thereafter, the KVIC places with the Boards and the Institutions an imprest equal to 25 per cent of the net eligibility. The actual timing of the remittance depends on the receipt of the funds by the KVIC from the Government. The State Boards and the Institutions are expected to submit monthly statements of expenditure. These statements are scrutinised by the KVIC and the appropriate amount replenished. The imprest amount not being earmarked for a particular industry or programme can be spent for any agreed programmes. This practice has introduced a certain degree of flexibility and has helped better Planning and execution.

6.8 In 1977 the Government of India decided to encourage the KVIC, the State Khadi and Village Industries Boards and other implementing agencies in khadi and village industries to avail bank credit for purchasing, stocking and distributing raw materials and for meeting their capital investment and working capital needs connected with production and sales of KVI products. For this purpose the Government introduced the interest subsidy scheme with a view to subsidise the difference between the actual rate of interest charged by the banks and 4 per cent (however the KVIC has been charging no interests on khadi loans and 4 per cent on village industries loans for assistance given by it). The Government has also permitted the KVIC to surrender at its discretion to the commercial banks the first charge it generally holds on all the assets of the borrowing institutions in case the latter agrees to borrow from the banks concerned. However, seeking bank accommodation was indeed a new experience for the implementing agencies. Banks too found the ways and procedures of the agencies somewhat strange. The KVIC has since evolved, the procedure under which it would issue eligibility certificates to State Boards and institutions which would provide the basis for banks to act. The progress achieved in the availing of bank credit for

khadi and village industries during the last few years is shown in the Statement at Annexe-III. It will be seen that the progress under village industries is by and large poor while khadi has been able to give a better account of the utilisation of bank credit. Although the figures show improvement from year to year, the Commission is still facing a number of problems. For one thing, all the banks are yet to accept without question the norms adopted by the KVIC in sanctioning credit. For another, the Institutions have not been able to satisfy the banks about the surrender of title deeds. They have also not been prompt, in preferring interest subsidy claims. It is hoped that with NABARD's entry into this field with its offer of refinance and its acceptance of the financing norms and patterns of assistance, there will be rapid progress in the near future. We recommend that the KVIC should give wide publicity to the NABARD's refinancing scheme among its institutions and persuade the lead bank in selected centres, to begin with, to include the credit requirements of KVI institutions in the District Credit Plans and Annual Action Plans.

6.9 We are glad to find that the KVIC has adopted a practical approach in pushing the scheme of institutional finance. It has classified the institutions into four categories :

- (a) major institutions with production/sales of Rs. 100 lakhs and above;
- (b) medium institutions with production/sales of Rs. 25 lakhs and above but less than Rs. 100 lakhs;
- (c) small institutions with production/sales upto Rs. 25 lakhs; and
- (d) problematic institutions.

For categories (c) and (d) no institutional credit is recommended. For categories (a) and (b) it has been laid down that funds equivalent to 75 per cent and 25 per cent respectively of the incremental amount has to be availed from the institutional source. North Eastern States are by and large exempted from the implementation of the Bank Finance Scheme. A selective approach is followed in the case of village industries. Recently, KVIC has approached the Government for extending the scheme to small individual entrepreneurs. We recommend that the KVIC should intensify this process further and draw a time bound programme to cover all the major and medium institutions fully under the bank finance scheme by the end of the Seventh Five Year Plan. Such a programme should include purposeful dialogues between the selected institutions and the banks and orientation courses for the functionaries of the institutions in the banking documentation and procedures.

6.10 During our discussion with the representatives of the implementing institutions, two contrary points of view were simultaneously pressed upon us. One view was that the change over to bank finance creates serious difficulties and delays and that it would be advisable to continue the practice under which the KVIC provides all the required money by way of imprest, in instalments, subject to recoupment at periodical intervals.

The other view is that unconscionable delays are occurring even under the system in which KVIC provides the funds. We fully understand the fears entertained by the institutions about a sudden and complete change over to bank finance. Accordingly, we have underscored the KVIC's cautious and selective approach and the importance of the preparatory stages over a reasonable period. But as regards the complaints of delays and inconvenience against the long standing procedures of the KVIC we were somewhat surprised. We therefore, tried to ascertain through a Financial Consultant the facts behind the complaints and the possible lines of remedial action. Delays have been attributed to the time taken partly by the KVIC to issue sanctions and partly by implementing agencies in fulfilling the conditions of the sanctions such as equitable mortgage and recoupment bills. These complaints are particularly related to working capital loans (as regards khadi sale rebate, recent delagation of powers for fixation of targets of sales to State Directors should speed up releases). In the case of remaining items, capital expenditure and grants there are complaints but they are directed more against the system of procurement of tools and equipment rather than against release of funds.

6.11 The Consultant found that there is no regular flow of funds and large sums are received by the field institutions at intervals. While the institutions are short of cash on some occasions, they are flush with funds on other occasions, This naturally led to problems in the management of cash. There is no conscious attempt to relate release of money to the actual needs of the institutions from time to time. The present procedure has not, therefore, contributed to the promotion of financial discipline. Several instances of non-cashing of cheques in time, stagnation of money in the pipeline for long periods, and short term diversion of funds to other purposes have also come to notice. Further, the present procedure has the unwitting effect of favouring large and established institutions and of paying insufficient attention to small and new institutions. The latter have no staying power and face severe cash problems due to delays in the release of money. They also cannot afford to bear the expenses of visiting Bombay for providing clarifications and expediting sanctions or releases. (It is interesting to note that as on 31-3-1984, about 11 per cent of the directly aided institutions (75 out of 675) account for 50 per cent of the loan outstanding under the head of village industries. The position in regard to khadi is no different).

6.12 Besides, it was represented to us that under the present procedure the KVIC and its staff have to devote nearly 70 per cent of their time on scrutinising budgets, sanctioning funds and disbursing them, leaving very little time for other important functions such as planning, policy making, monitoring and other developmental activities. The financial procedure should be the handmade of development and not allowed to become the all absorbing occupation it has become over the years.

6.13 After a careful consideration of the Consultant's Report and other aspects of the matter, we have come to the conclusion that the following steps are necessary for achieving

the three desirable objectives of providing the implementing agencies with the needed funds at the right time, of inculcating financial discipline and of enabling the KVIC to devote more time to the important tasks of policy and development.

(i) the working capital requirements of the implementing institutions should be calculated separately with reference to production costs, sundry debtors and other eligible current assets. While making the calculations, it must be remembered that the institutions do face problems on account of unforeseen deviations in the production plans, non-receipt of sale tax refunds, State rebate claims, delays in receipts etc. To cover these factors, some ad hoc addition, say 20 per cent may be made. The amounts thus arrived at must be made available to them without being subjected to recoveries on other accounts;

(ii) to begin with, the KVIC may fix the entitlement of each institution for every quarter on the basis of the average of the last three years' actuals, after due scrutiny and recommendations by the State Director. The institutions will be empowered to draw upto this amount from the approved Bank. They will draw every week or month such amounts as are actually needed. They are expected to determine the amount for each drawal on the basis of stocks of raw materials and finished goods, sundry debtors and other current assets that have been declared as qualified for inclusion in the working capital calculations;

(iii) each institution will be duty bound to submit in respect of each quarter, within the stipulated period, a statement showing stocks and other particulars as prescribed to the State Director of KVIC in support of the drawals actually made during the period. These statements will be scrutinised by the State Director with a view to verify whether the drawings are regular and not in excess. The scrutiny need not be comprehensive but may be limited to some important points. For this purpose, each State Director will have at his disposal a team which will visit institutions and verify stocks and other particulars in accordance with a carefully worked out programme. The verification programme will be drawn up in such a manner that each institution is covered within a reasonable period and test check of stocks in terms of quantity and value is done. It should be remembered that the State Director's verification is of a distinct nature and is not meant to establish the value or volume of stocks on a particular day in all the institutions. Wherever there is evidence of any excessive or irregular drawals which are not likely to be rectified in the next quarter or later during the year the State Director will take immediate steps to restrict further drawals. Similar action will be taken if an institution fails to submit the quarterly reports within the prescribed date or such other date as may have been specially fixed by the State Director on a request by the institution;

(iv) each institution will have to nominate a bank or banks and obtain the approval of the KVIC to enable it to operate the scheme. Preferably, it should be a nationalised bank. A cooperative bank may also be permitted by the KVIC. As far as possible, KVIC

should approve the bank nominated by the institution. Each institution will open two accounts in the approved bank, one to be designated as Working Fund Account and the other Capital Expenditure and other Items Account. Both these accounts will be subject to the scrutiny of the KVIC. It will be the duty of the institution to keep the bank informed about the right of KVIC to scrutinise the said accounts. KVIC on its part will authorise the nominated bank to permit drawals by the institution concerned upto the ceiling approved for each quarter for meeting the working capital requirements. The banks role will be limited to paying upto the ceiling or to stopping payments on receipt of orders from the State Directors. All amounts received by the institutions towards sales, collections, deposits, rebates, refunds etc., shall be deposited in the Working Fund Account in full and without exception. However the money received on account of other sources than the schemes under KVIC may be kept in separate accounts;

(v) with a view to placing the necessary funds at the disposal of the approved banks of the institutions, the KVIC will open a bank account at each of its State Headquarters and deposit in it funds adequate to cover the anticipated drawings by the institutions. The KVIC's bank viz : State Bank of India will arrange remittances to each institution's account in the approved bank for each quarter in advance on the request of the State Director of KVIC. It should be clearly understood that this account will be distinct and separate from the State Director's bank account meant to record his office expenses;

(vi) the above steps have been indicated on the assumption that the KVIC will provide all the funds necessary for meeting the working capital needs of the institutions. But the same procedures may be followed even when an institution is allowed to obtain part of the requirement under the bank finance scheme for which interest eligibility certificate is issued by the KVIC. There should be no difficulty in complying with the classification of institutions, percentages to be met from bank credit and other stipulations. Only, the institution will then have to submit its quarterly statements to the bank also in addition to the State Director;

(vii) it is possible that an institution is allowed to expand its production to reach higher targets in subsequent years and it may require additional working capital over and above the basic entitlement referred to in (i) above. In such cases, as soon as the annual programme of the institution is approved and the extra limit identified, that can be added to the drawing limits already fixed. These increments may become necessary as a result of the specific expansion of an institution's programme in a particular industry or the general policy of the KVIC to fix higher targets for all institutions across the board in one industry or another. It is suggested that the authority to sanction these increments should be decentralised. Increments upto and including Rs. 1 lakh to a single institution may be left to the State Directors for sanction. Those above Rs. 1 lakh and below Rs. 5 lakhs may be referred to the Chief Executive Officer for approval. For amounts of Rs. 5 lakhs and above

the approval of the Chairman of the KVIC should be necessary. All these approvals will be reported to the KVIC at the next meeting for information. It is possible that some institutions are not fully satisfied with the increments sanctioned. They may be given the right to appeal to the next higher authority;

(viii) the present practice of discussing and approving the annual programme will be continued not so much for determining the net eligibility as for taking a view on the performance and proposals for expansion of existing programmes or undertaking new programmes that the institutions may submit. Financial assistance required for capital expenditure in accordance with the approved patterns will be settled at these discussions. We suggest that a Committee of three officials, C.E.O., F.A. or their representatives and the State Director concerned presided over by the non-official Member of the KVIC hailing from the Zones may be empowered to complete these exercise and take appropriate decisions. The association of the non-official member of the KVIC with this Committee will give him a sense of participation while giving some relief to the Chairman. The aggrieved institution must have a right to appeal to the Chairman. If bank finance is also envisaged for expansion schemes, representatives of banks concerned and refinancing body if any may be included in the Committee. The Committee will also deal with KVI programmes which are required to be co-ordinated with IRDP or other programmes. In the case of new institutions the committee will not have the power to take a final decision. It will scrutinise and make its recommendations for consideration of the KVIC.

(ix) as mentioned earlier, Capital Expenditure and Other Items Account will be kept separately. It is not necessary to insist on quarterly statement in respect of this Account as in the case of Working Fund Account. As the entitlement and expenditure is regulated with reference to specific scales and a few identifiable supplies, checks at periodical intervals are not necessary. The annual audit should be able to provide the necessary verification of proper utilisation;

(x) it is desirable to lay down a time schedule. The new programme may be introduced at the beginning of the financial year. All initial approvals may be completed before 1st April or 2 to 3 months in advance. For subsequent years, approval may be completed before 30th June. In other words, the policy on increments (on accounts of expansion of programme and inclusive of new programmes) will be decided before 1st April and final approval communicated to all concerned after the budget is passed by Parliament. As regards, increments arising on account of new programme increment is added as soon as new programme is received;

(xi) at present, each institution has a working fund provided by the KVIC. It is not clear if all these working funds are fully covered by stocks, realisable debts and other items in the nature of working capital. If after the introduction of the new procedure, it is

found that an institution's working fund is in excess of the eligible amount, the difference will have to be refunded to the KVIC. But an immediate refund may lead to serious problems and may even damage the institutions. So a careful programme has to be worked out for each such institution;

(xii) while the Commission will take the above steps in relation to all directly aided institutions, the State Boards may initiate similar action in regard to institutions under their jurisdiction. KVIC may ensure that each Board draws up a programme with definite schedule for adopting the new procedure. State Boards will have to indicate to the KVIC, the total annual requirements for two years on the basis of its own assessment of the needs from institutions and other agencies aided by them; and

(xiii) as the State Boards largely depend on KVIC for their programme funds, the latter may continue the present system of budgeting, imprest and recoupment at set intervals. It is necessary to raise the initial imprest from 25 per cent to 50 per cent. The implementation of this recommendation only depends on the release of funds by Government to KVIC. The KVIC should insist on proper recoupment bill before releasing the balance of 50 per cent. Recoupment should be allowed only when it has been established that the money has reached the ultimate beneficiary. Release of funds must be on satisfaction in regard to confirmation of loan balances, cash on hand and reconciliation of accounts. Wherever institutions' certificates are in arrears, a time limit must be prescribed for clearance before releasing funds.

6.14 It will be readily seen that under the new procedure, the Head Office of the KVIC will be freed from the burdensome routine in financial sanctions and disbursements. Barring the approvals of all directly aided institutions at the start of the procedure, the KVIC as such will be invoked for approvals in respect of new additions to the list of the directly aided institutions for their entitlement in the first three years, for appeals against the decisions of State Directors/Chief Executive Officer and the Committee on expansion programme and finally for special cases which would not ordinarily qualify for assistance under the rules.

6.15 It also follows that the offices of the State Directors will have to be reorganised and strengthened for handling the new responsibilities. A section suitably staffed has to be engaged continuously in monitoring working fund requirements and quarterly statements review from the institutions. It will also authorise remittances to banks of institutions. A stock verification team will have to be created and facilities provided for its mobility and visits to institutions according to a carefully worked out programme. Another section will be in charge of processing proposals for capital expenditure and grants and authorising remittances. It will also check utilisation, by way of post-audit, on the basis of copies of bank accounts and other statements received from the institutions for deployment of staff.

6.16 We wish to stress that the successful implementation of the new procedure suggested above depends on the care, thoroughness and imagination with which the preparation work

is planned and completed. It will not be enough to issue detailed instructions on all aspects of the matter. Personnel who are going to handle the accounts and returns in the aided institutions and the offices of the State Directors have to be trained in 3 to 4 days workshops so that the doubts and difficulties that will necessarily crop up in the event of a change are sorted out to everybody's satisfaction. We would also suggest that it would be worth while for the KVIC to offer financial assistance for a short period, say three years, to smaller institutions which are required to employ qualified staff for working the new streamlined procedures. A small group be formed with C.E.O. and F.A. and finalise the procedure.

6.17 It will be obvious that under the present system KVIC can fulfil its commitments for releases to the implementing agencies and State Boards, only if it receives funds from Government immediately after the passing of the Central Budget and at regular intervals during the course of the year. Annexc IV gives the pattern of Government releases during the last six years. We have also indicated the releases made by the KVIC to its clients and the bank deposits and cash held on the last day of each month. It will be seen therefrom that the first releases have been delayed beyond May in 1980-81, 1983-84, 1984-85 and 1985-86 and that the KVIC's fund position was generally comfortable during the rest of the year. However, we wish to suggest the following procedure for release of funds to the KVIC by the Government.

Release	Amount to be released as percentage of the approved budget	Condition if any	Due date of release of fund by Government to KVIC
1	2	3	4
1st release (on the basis of vote on Account)	16.67 per cent or 1/6th	After KVIC furnishes statement showing the opening balance.	15th April.
2nd release (after approval by Parliament of Demands for Grants)	33.33 per cent or 1/3rd (50 per cent)	Without any statement from KVIC	15th May.
3rd release	25 per cent	After KVIC furnishes statement showing the opening balance, receipts, anticipated receipts, disbursement & the cash balance at the end of the last month.	15th Sept.
4th release	25 per cent	—do—	15th Jan.

6.18 We are struck by the fact that KVIC with a total outstanding loan of Rs. 521.40 crores from Government on 31st March, 1986 and an amount outstanding to itself of Rs. 520.94 crores out of loans given by it to State Boards, institutions etc., has no equity base or owned fund at all. While it receives the money meant for its lending operations by way of five year tenure loans, it is called upon to lend for periods of 8 years or more and is often compelled to wait for even longer periods to obtain repayments. True, this anomalous situation has been corrected to a large extent by the practice introduced by Government in 1964 to extend the five year loans for a further period of five years. Government has also been giving every year subsidy equivalent to interest due that year and carried out a book adjustment. This method of giving relief came into vogue in 1964 as a result of the recommendation of the Khadi Evaluation Committee (February 1960). All these elaborate arrangements have been made in the name of the principle of gross budgeting and avoidance of hidden subsidies, although they tend to perpetuate the fiction that KVIC programmes can be run on the basis of loans. Meanwhile, a lot of unnecessary work is done in calculating loan balances, interest liabilities and corresponding subsidies. The extent of subsidy in lieu of interest, on Government loans also goes on increasing from year to year in view of the fact that while renewing Government loans, the current interest rate (9½ per cent at present) as against lesser interest rate charged originally is adopted and also the fact that KVIC is not able to generate funds for payment of interest as Khadi loan is interest free and village industries loans carry 4 per cent interest and in many cases, the State Boards are able to pass on to KVIC only such interest as they themselves are in a position to recover from their loanees. Further, KVI schemes themselves are for generating employment for poorer strata of society and are not strictly viable enough to generate margins for repayment of loans and interest. We are inclined to think that KVIC's resources and lending operations should be restructured on the analogy of financial institutions and the reality recognised by providing a reasonable equity base and supplementing it with debt resources drawn either from Government or the banking sector on yearly basis.

6.19 According to Section 21 of the KVIC Act, the KVIC is eligible to borrow on the security of its Khadi Fund and Village Industries Fund. But in practice, it has not used this power, presumably because neither of these funds are free enough to serve as security in the true sense. The small amount it has raised from the banks for its Cotton Purchase Scheme for short periods falls in a different category. When the Bank Finance Scheme commenced in 1977, it was also envisaged that the KVIC could borrow from banks for the programmes and release the same to the implementing agencies. But the KVIC was chary of doing so, as the assets current and otherwise that will eventually be created by the said loans are scattered widely all over the country and it would be difficult for the KVIC to take responsibility for them and monitor them satisfactorily. Moreover, the interest rates as per banking structure would be higher than the interest structure adopted by KVIC. We got the impression that the banks on their part were willing to lend to the KVIC for on-lending purposes. This matter needs to be probed further from a different angle i.e. whether it is

not desirable for the KVIC to diversify and augment its resources by borrowing from banks and what will be the conditions that the KVIC has to and can fulfil to satisfy the banks in obtaining a credit line. We suggest that KVIC should identify village industries which can generate enough margins to repay the interest on bank loan along with KVIC's service charge (discussed in para 6.12 et seq.) and work out the extent of funds to be borrowed from banks to finance the said industries. Financial Adviser should also take up these matters with the banks as well as NABARD and evolve a borrowing policy that will gradually correct the present total dependence on budgetary allocations.

6.20 We recommend that KVI Development Fund be created by statute by converting all the outstanding loan amount as on 31st March, 1987 into a Capital Grant and crediting it to the KVI Development Fund in KVIC's books. As this is meant to serve as the equity base of the KVIC, there is no advantage in keeping the said amount in two separate funds, one for khadi and the other for village industries. The amount earmarked for the Seventh Plan will continue to be sanctioned every year in accordance with the allocation in the Annual Plans. But in recognition of the principle that the KVIC should be encouraged to build up its own funds, it is suggested that 50 per cent of the amount now allocated by way of loans will be disbursed as capital grant to be added to the KVI Development Fund. The remaining 50 per cent may be given as a loan as at present, separately for khadi and village industries. The amounts paid to KVIC as per present procedure by way of grant (both plan and non-plan) for khadi rebate, training, science and technology, publicity, marketing as well as subsidy in lieu of interest on future Government loans and for capital expenditure under khadi and village industries should continue to be paid by Government to KVIC as hitherto.

6.21 It must be emphasised that all other budgetary allocations will have to continue as at present, as the purpose of the above exercise is to build an equity base for the KVIC and to encourage it on the strength of the equity fund to borrow from banks and augment its resources for supporting an expanded programmes. However, we have considered the proposal to make a change in the manner of meeting the establishment expenses of the KVIC. At present, Government makes a budgetary grant for the purpose. It also provides some amount towards giving House Building and other advances to the employees. These allocations have become necessary because the KVIC has no income of its own which can meet these charges. The question is whether the KVIC can be provided an opportunity to raise its own income, say by empowering it to charge a margin on the loans disbursed by it to the implementing agencies. Those who advocate greater autonomy for the KVIC on administrative matters support the idea of the levy of a small margin. Others who are impressed with the need for continuing concessional finance to implementing agencies (no interest on khadi loans and 4 per cent on village industries loans) are against increasing the cost to the agencies. If 1 per cent is added as service charge as margin by KVIC on all the net loans (paid less refunded) disbursed by the KVIC (Rs. 64.93 crores in 1985-86), the total income on the

volume of business in 1985-86 would have been Rs. 64.93 lakhs. This falls short of the establishment expenses of Rs. 11.52 crores for that year. With the recent pay revision the expenses are likely to go up further and increase the gap. Two possible approaches emerge from this discussion (a) the KVIC should prune its expenditure carefully and manage within a given percentage or (b) the KVIC should expand its business to an appropriate level by augmenting its resources and streamlining its staff and officers. *Prima facie*, there is scope for both these exercises. While it is difficult to carry everyone with the proposal to levy a margin, the balance of advantage in our view, lies in levying a small margin not exceeding 1 per cent thereby putting the KVIC under pressure to streamline its organisation and inducing the implementing agencies to become conscious of costs and productivity. We recommend that in the interest of smooth change over, Government should continue the present practice of funding the establishment expenses except to the extent of funds generated out of the service charges.

6.22 We are of the opinion that the present practice of regulating the financial relations between the KVIC and the implementing agencies through Statutory rules need to be reviewed. KVIC loan Rules were made by Government in 1958. Whatever be the justification for the adoption of the method at that time, experience has shown that the method is cumbersome and inappropriate for an organisation which disburse large funds and has to make changes from time to time in several details. At present, even the form of application by the borrower is prescribed Statutorily. If new or additional terms and conditions are to be added the KVIC is required to invoke the rule making power and approach Government. One such case was referred to the Committee for advice. KVIC proposed to Government that the Loan Rules may be amended to incorporate the following provision so as to enable it to regulate the conduct of its borrowers and grantees : "28. The grantee/loanee/beneficiary under rule 27 and 27A shall undertake production, sale, training and research in khadi and village industries in accordance with the norms and patterns, provide security for the financial assistance extended by the Commission, maintain and furnish accounts, reports and records, at such time and in such form and manner, as the Commission may from time to time prescribe". Government of India saw no objection in accepting the new provision but wanted to know from the Committee if the amendment would in any way impinge on the recommendations of the committee in the Second part of its report. The Committee has replied that it has no objection to the contents of the provision and added the comment that it would have preferred the KVIC being given full authority to lay down the terms and conditions for loans and grants without a statutory rule being made in respect of every single term and condition. The time has come to give up this practice and to allow the KVIC full powers to regulate through executive action terms and conditions attached to loans and other details that are incidental to the sanction of loans while implementing its objectives. For this purpose, KVIC Loan Rules should be reviewed carefully and a new set framed limiting the provisions to those that require statutory backing and Government approval ex-ante or expost.

6.23 Our attention has been drawn to the slow progress in the settlement of audit paras. A detailed statement is attached to Annexe V. According to the Audit Report for 1984-85, as on 31st July, 1985, 412 Local Audit Reports containing 2,361 paragraphs issued upto 31st March, 1985 were outstanding. A few of them relate to the years prior to 1975-76. In addition, 51 Concurrent Audit Reports containing 272 paragraphs were reported to be outstanding for periods ranging from four months to 12 years. This is a matter in which the Financial Adviser and Chief Accounts Officer should undertake a concerted drive. We were informed that the present F.A. has personally discussed the position of old outstanding Audit Reports with the Deputy Director of Audit in 1986 and January 1987 and efforts were initiated to expedite replies to audit objections. By the end of January, 1987, there has been a clearance of 23 Local Audit Reports with 544 paragraphs and 13 Concurrent Audit Reports with 84 Paragraphs, out of the reports mentioned above. We recommend that these efforts should continue vigorously.

6.24 KVIC as disbursing officer of large sums to its beneficiaries by way of loans and grants has always been conscious of the need to carry out inspection and audit from time to time. Two sets of organisations have been created :

- (a) the Directorate of Inspection which is responsible for preparation of utilisation certificates, audit of the departmental trading units, cash and contingency audit of the subordinate offices of the KVIC, replies to reports of the concurrent audit, spot audit of rebate claims and special investigations whenever ordered by higher authorities; and
- (b) certification Audit which is confined to audit and inspection of khadi institutions for the purpose of giving or renewing certificates, for checking compliance with the Certification Rules and for carrying out recoveries of overcharged margins and wrong payments of rebate.

6.25 While the first is operated from the Head office at Bombay, the other is operated from Lucknow office. The total sanctioned strength of the two audit wings as on 1-4-86 consists of 42 Accountants, 96 Senior auditors, 62 Junior auditors (Directorate of Inspection with 31 Accountants, 74 Senior Auditors and 19 Junior Auditors and Certification Section with 11 Accountants, 22 Senior auditors and 43 Junior auditors). Audit parties are constituted according to size of institutions and experience. In many States only one auditor is posted which necessitates deployment of auditor from neighbouring State or Central Office for urgent investigation or audit of major institutions. Generally audit of each institution is done for more than one year at a time. It appears more than one attempt has been made to combine the two audits with a view to streamlining the visits of audit parties to the institutions and to making the best use of the available manpower. But every time the combined audit system broke down and audit of both kinds was allowed to fall into arrears reportedly due to the displeasure of the audit staff. From the

papers made available, it is not clear what led to the 'displeasure', whether any remedies were found to the genuine grievances of the staff and whether the combined audit system had any serious lacunae on merits. It has been suggested that certification audit is a specialised job and its amalgamation with the other types of audit will lead to deterioration in the quality. On behalf of the audit conducted by the Directorate of Inspection also it has been argued that the preparation of utilisation certificates in respect of institutions on the basis of cent per cent audit is an onerous and inappropriate task and that it should be sufficient for the Directorate to carry out a test check of 33.3 per cent in the case of institutions in the same manner as has been done in respect of the State Boards. We have observed that audit so far conducted under the KVIC in both the wings is more in the nature of voucher audit than propriety audit. We agree that it is perfectly in order to insist that every beneficiary State Board or institutions should get its accounts properly audited by a Chartered Accountant or a recognised authority like Accountant General and the KVIC's Staff concentrates on propriety audit on a test basis in accordance with a predetermined programme so as to cover all beneficiaries in a given period. KVIC may as suggested in earlier chapters provide assistance to the institutions on a tapering basis to induce and ensure that the beneficiary organisations do in effect make satisfactory arrangements for audit. We wish to add that we are not convinced of the arguments advanced against combining of audit functions of KVIC and building up a competent audit team so as to reduce the number of visits the audit parties make to the institutions, and to make each visit more fruitful and complete. A clear set of guidelines should be evolved for the audit parties. Such a reorganisation will make for optimum utilisation of the available staff. If necessary, the number in certain grades may be increased in order to provide for cohesion in the audit team and their proper leadership.

6.26 According to the Audit Report for 1984-85, 111 khadi institutions and 311 village industries institutions with outstanding loans of Rs. 1.84 crores and Rs. 54 lakhs respectively are either under liquidation or facing legal action for recovery under Section 19 B of the KVIC Act. According to this section "any sum payable to the Commission under any agreement expressed or implied or otherwise can be recovered in the same manner as arrears of land revenue." If any question arises whether a sum is payable to the KVIC it may be referred to the Tribunal constituted by the Central Government and the decision of the Tribunal shall be final and shall not be called in question by any court. So far, Tribunals have been appointed in seven cases only. This would mean that no question had arisen about the claims of the KVIC in most instances. However, the Statement at Annexe VI shows that recovery of dues under this section had been painfully slow. There may be many reasons for lack of progress. One may be that the action under 19 B has been initiated rather late and has proved to be proverbial case where the stable is locked after the horse has been stolen. A quick perusal of some 19 B cases has shown that had the KVIC been more prompt and timely in invoking Section 19 B in initiating certain interim measures, it would have been possible to safeguard the assets from which the recoveries could be made.

In most instances, defaults have been allowed to drag on for too long. It is hoped that with more timely discovery of the tendency to commit irregularities and to eventually default, that the new financial procedure will lead to with prompt action by the KVIC, should bring, out some improvements. In addition, the following measures may also be adopted to speed up the recovery procedures :

(1) the State Director should be vigilant about proper utilisation of funds granted to the beneficiary institutions by the KVIC. The recommendations of the State Director explaining the problems of the institutions along with full facts should be reported to the Khadi Section in the headquarters at Bombay. Thereafter the Khadi Section should bring the matter to the notice of the Chairman of the KVIC indicating whether action under Section 19-B would be necessary;

(2) it has been reported that before issuing notice to the District Collector for recovery proceedings under Section 19-B, the Legal Recovery Section of KVIC refers the case to Accounts Branch both before and after approval of the KVIC, for calculation of interest upto the date on which notice of recovery under Section 19-B is issued. This procedure, which results in delay, should be discontinued. Interest calculations as available upto the latest year should be adopted and intimated and further additions of interest for subsequent period should be advised to the District Collector subsequently. The District Collector should be informed of this aspect suitably while sending initial intimation to the Legal Recovery Section;

(3) it has been reported that Economic Co-ordination Section has already issued instructions to all institutions to append to their final accounts (balance-sheets etc.,) a list indicating description and location of immovable properties, their purchase value, depreciated value etc. It has been further reported that these instructions are not being followed by several institutions. This requirement should be scrupulously insisted upon. In extreme cases of continued non-compliance, discontinuance of financial assistance should be examined;

(4) the KVIC's approval is at present taken before initiating recovery action. As time factor is important while taking recovery action, particularly in respect of movable assets, the Chairman may be authorised to order recovery action. procedural powers in pursuance of hypothecation deeds regarding taking over all movable assets may be vested with the State Director;

(5) the State Director should establish a close rapport with the District Collector or Recovery Officer in the Collectorate and contact him personally from time to time for expediting 19-B action whenever it is initiated. In case of delay, the KVIC's Chairman might write to the Chief Ministers to instruct the Collectorate for expediting recovery action under Section 19-B; and

(6) in many cases, CEO of the State Board is an IAS Officer. Powers to recover dues of the State KVI Board as arrears of land revenue may be delegated by the concerned State authorities to the Chief Executive Officer of the State Board. It may be mentioned that powers of Registrar of Cooperative Societies have in some cases been delegated to the CEOs of the State Boards.

6.27 Our attention has been drawn to Rule 30 of KVIC Rules which empowers the KVIC to write off, after prior consultation with the Financial Adviser, losses upto Rs. 10,000 relating to losses due to theft, fraud etc. irrecoverable losses other than loans, and deficiencies and depreciation in the value of stocks. In all such cases the KVIC shall take suitable action against the persons responsible for loss and send a detailed report to Government together with action taken against the persons found responsible. It is only in cases involving losses of Rs. 1,000 and less that the KVIC need not report to the Government. Even in regard to these smaller amounts reports will have to be sent, if a particular case reveals important features that merit detailed investigations and consideration. It will be noticed that the power for write-off does not cover losses occasioned by irrecoverable loans. In all such cases sanction of Government has to be obtained before the losses are written-off. Within the overall limit of Rs. 10,000 the above said powers of write-off have been delegated to the Chairman, Chief Executive Officer and other Officers by the KVIC. We have been informed that the procedure for write-off is cumbersome and the KVIC has not been able to dispose of cases expeditiously. During the last 33 years, KVIC has been able to write-off Rs. 4.26 lakhs (khadi Rs. 1.90 lakhs and V. I. Rs. 2.36 lakhs). It appears necessary that the procedure be revised on the following lines with a view to expedite action in suitable cases :

- (a) the maximum limit of Rs. 10,000 for write-off as mentioned above, was prescribed almost 30 years ago. It may be raised to Rs. 75,000 in each case;
- (b) the KVIC, with the approval of the Government of India, has evolved a formula for sharing of losses of the State Boards arising out of non-recovery of working capital loans and loans for stocking of raw materials. For this purpose, the State Boards are required to create a reserve for meeting their share (75 per cent) of lossess by obtaining suitable assistance from the respective State Governments. Attention of the State Boards should be invited to this requirement and the matter pursued periodically at the appropriate level; and
- (c) we would, however, like to emphasise that vigilance is necessary to ensure that there is no occasion for resorting to write-off irrecoverable amounts. Initial prudence while granting loans based on proper feasibility appraisal, obtaining of adequate security, periodical inspection of the work of beneficiary institutions and above all, expeditious action to take recourse to Section

19-B action, where necessary, are steps which should scrupulously be taken in all such cases.

6.28 In the matter of financial management the procedure suggested for adoption by KVIC may be equally applicable to the State Boards with necessary modifications. The KVIC has formulated a procedure by which most of the institutions are permitted to retain the working capital loan as working fund. The institutions are required to refund the excess amount proportionately whenever the production decreases. Such a system needs to be followed by the State Boards also in regard to their beneficiary organisations. Similarly the annual exercise of having consultations with each one of the institutions financed by them to fix the budget and eligibility of funds, should be strictly followed by all State Boards. In such exercise the State Director of the KVIC should also be invited to participate.

6.29 The Khadi and Village Industries programmes are not merely meant for the rural areas but also for the alleviation of poverty. Hence the question of reaching assistance to poor artisans has to be very simple and easy. Certain Khadi Boards seem to have prescribed security for extending assistance to individual artisans and cooperatives. This will defeat the very purpose of the programme. We are of the view that instead of insisting on security from poor artisans, the State Boards should organise them as a cooperative or a registered institution and place one of the Board staff either as Secretary or Manager to supervise the proper utilisation of funds made available to them.

6.30 In this Chapter we have confined our comments to procedural aspects of the financial operations of the KVIC. On the more substantive questions of adequacy of the financial support and the terms of such support, we have reserved our views at present. Our views have been recorded in the Chapter on Policy Support to KVI programmes. Provision of credit on concessional and convenient terms is undoubtedly an important element of the policy support required for the successful development of Khadi and Village Industries in the widely scattered villages of the country. Even if the bulk of the credit is provided through banking channels as envisaged by the Planning Commission, KVIC cannot divest itself, in the foreseeable future, of its role as provider of funds or as quasi-financial institution. It is in this belief that we have tried in this Chapter to suggest the adoption of a procedure that will simultaneously ensure timely delivery of financial assistance and compliance with the essential principles of financial discipline.

ANNEXE - I (Para 6.3)

An illustrative list of items on which prior approval of the Central Government is required by the Commission.

KVIC ACT 1956 (No. 61 of 1956)

Section-18 (1B) If at any time, the amount available in either of the two funds referred to in sub section (1) is in excess of the requirements of that fund and the amount available in the other fund is insufficient to meet the requirements of that fund, the Commission may, with the previous approval of the Central Government transfer from the first mentioned fund the excess amount or such part thereof as may be necessary to the other fund.

Section-18 (2) Except as otherwise directed by the Central Government, all moneys belonging to such funds shall be deposited in the Reserve Bank of India, or with the agent of Reserve Bank of India or where there is neither an office of the Reserve Bank of India nor an agent of the Reserve Bank of India, in a Government Treasury, or be invested in such securities as may be approved by the Central Government.

Section-19 : Subject to the provisions of Section 20, the Commission shall have power to spend such sums as it thinks fit on purposes authorised by this Act :

Provided that nothing in this section shall be deemed to prevent the Commission from spending, with the previous approval of the Central Government, such moneys, as it thinks fit on any such purpose outside the territories to which this Act extends.

Section-20 (2) Subject to the provisions of sub-sections (3) and (4), no sum shall be expended by or on behalf of the Commission unless the expenditure is covered by a specific provision in the budget approved by the Central Government.

Section-20 (3) The Commission may, within the respective limits of the Khadi Budget and the Village Industries Budget, sanction any reappropriation from one head of expenditure to another or from a provision made for one scheme to that in respect of another but subject to the provisions of sub-section (1B) of section 18, in no case shall a reappropriation of fund be made from the Khadi Budget to Village Industries Budget or from the Village Industries Budget to the Khadi Budget.

Provided that no reappropriation from the head 'Loan' to any other head of expenditure and vice versa in either budget shall be sanctioned by the Commission, except with the previous approval of the Central Government.

Section-20 (4) The Commission may, within such limits and subject to such conditions as may be prescribed, incur expenditure in excess of the limit provided in the budget approved by the Central Government under any head of expenditure or in connection with any particular scheme, so long as the aggregate amount in either budget approved by the Central Government is not exceeded.

Khadi & V. I. Commission Rules, 1957 :

Rule 27. (2) The Commission may reduce the rates at which grants and subsidies are payable in individual cases to such extent, as it thinks necessary, but shall not enhance such rates except with the prior approval of the Government.

Rule 28.

(1) The Commission, shall grant loans in accordance with the provisions of the loan rules for khadi and village industries made by the Government from time to time, and in accordance with and at rates and on terms sanctioned by the Government in respect of each industry from time to time.

(2) The Commission shall not be competent to modify, amend or otherwise vary the provision of the loan rules.

(3) The Government may, on its own initiative or on the recommendation of the Commission, modify or amend the loan rules. The modification or amendment will have effect from the date it is made by the Government.

Rule 29. The Commission may, with the previous sanction of the Government borrow on the security of its funds or assets for the purposes specified in section 21 of the Act.

Khadi & V. I. Commission Loan Rules :

Rule 6. On an application in the prescribed form to be furnished in duplicate a loan may be sanctioned in each case during a year to the borrower by the Commission if the amount of loan in each case does not exceed the limit which the Central Government may fix from time to time. The Chief Executive Officer will indicate in writing to the borrower the amount of loan. In the case of the State Government, the application in the prescribed form will not be necessary; but the Commission shall ensure that the officer of the State Government who negotiates and/or receives the loan on behalf of the State Government has the proper financial and executive authority from the State Government to do so.

7. The loan will carry interest at such rates as may be prescribed by Government from time to time.

8. The loan shall be repaid in such instalments and at such period as may be determined by the Commission, with the previous approval of Government, for each type of loan from time to time. Provided the Commission may allow extension of time up to a maximum period of six months for the repayment of instalments of loans if it is satisfied that such extension is necessary in the interest of the Commission's work.

ANNEXE – II (Para 6.5)

Broad Culture of Financial Assistance for Khadi and Village Industries

A. Capital Assistance - for normal areas.

(i) **Purchase of Land :** No financial assistance is provided for purchase of land. Free hold or long term lease hold is to be procured by the implementing agency. The unexpired period of lease should not be less than 30 years. However, in case of village leather industry, financial assistance is available for purchase of land on the basis of 50 per cent grant and 50 per cent loan.

(ii) **Construction of godown :** 100 per cent loan is provided at a maximum rate of Rs. 75 per sq. ft. for pucca construction with a provision of 10 per cent change on either side for regional variations. The godowns wherever admissible shall be sanctioned according to the requirements and merits and subject to fulfilling prescribed conditions.

(iii) **Construction of workshops :** 100 per cent loan is provided @ Rs. 75 per sq. ft. maximum for pucca construction only with a provision of 10 per cent change on either side for regional variations. However, in the case of ghani oil, village leather, cane and bamboo, NEO Soap (seed collection), it is 50 per cent grant and 50 per cent loan.

(iv) **Construction of building :** 100 per cent cost as loan is provided @ Rs. 75 per sq. ft. maximum for pucca construction only with a provision of 10 per cent change on either side for regional variations except in village leather industry where it is 50 per cent grant and 50 per cent loan.

(v) Supply of tools/equipment/implement/Machinery :

(a) **Khadi :** 100 per cent cost of the approved implements is provided as loan. However, for the supply of improved looms, it is 50 per cent grant and 50 per cent loan and for semi-automatic looms, it is 33 $\frac{1}{3}$ per cent grant and 66 $\frac{2}{3}$ per cent loan for cotton, woollen, silk and muslin khadi and Poly Vastra and 25 per cent grant and 75 per cent loan for Lok Vastra scheme.

(b) **Village Industries :** 50 per cent grant and 50 per cent loan of the approved selling price (including freight, octroi, packing, forwarding, installation and other incidental charges) for animal driven or hand operated and 100 per cent loan for power operated equipment is provided (100 per cent loan in case of P. C. P. Industry, ghani oil (power operated), cottage match, canegur and khandsari, palmgur, NEO soap, handmade paper, lime, aluminium, fruit processing and preservation, shellac, gum resins, katha manufacturing, and village pottery and 50 per cent grant and 50 per cent loan in case of ghani oil (Bullock driven), village leather, fibre, carpentry and blacksmithy, cane and bamboo and beekeeping) 25 per cent grant and 75 per cent loan in case of gobar gas scheme in normal areas and 100 per cent grant in specified HBTWS Areas.

(ii) **Working Capital Assistance :** The financial assistance is provided for meeting the working capital requirements for production, sales, (wholesale and retail sales) and stocking of raw materials as per prescribed norms on 100 per cent loan basis.

(iii) **Share Capital Loan to Cooperatives :** (a) (for village oil, carpentry and blacksmithy, gur and khandsari and handmade paper industry). The loan is sanctioned to the extent of three times the value of shares held by members irrespective of the number and value of each share subject to a ceiling of Rs. 1500 loan per member.

(b) (For other industries including khadi). Seven times the value of shares held by a member subject to a ceiling of Rs. 1750 loan per member.

(iv) **Capital formation loan to institutions :** Capital formation loan to institutions is provided upto 4 times their own capital with ceiling of Rs. 1,50,000 subject to the condition that the total borrowings of the institutions do not exceed 10 times their own assets including the capital formation loan.

B. Liberalised pattern of assistance for identified hill, border, tribal and weaker section areas :

(a) Capital Assistance :

(i) **Land :** No financial assistance is provided for purchase of land. The implementing agency shall have to arrange land either free hold or on long term lease basis at their own cost.

(ii) **Buildings, workshops, godowns etc :** 50 per cent grant and 50 per cent loan of the total construction cost of the building @ Rs. 75 per sq. ft. for pucca construction only with a provision of 10 per cent change on either side for regional variations.

(iii) **Tools/implements/equipment/machinery :** Financial assistance for the supply of approved implements, equipment, tools and machinery is sanctioned on

the basis of 75 per cent grant and 25 per cent loan of the approved prices both for individual artisans and institutions when they are meant to be made available or sold to individual artisans for their use by the institutions.

(iv) **Working Capital Assistance :** 100 per cent loan as available in the normal pattern for production, sale (whole sale and retail sale) and stocking of raw materials.

C. Managerial/Technical Assistance : (for all areas)

Management grant on tapering basis is given for three years only. This varies from industry to industry. This assistance is provided to institutions and cooperatives only.

D. Promotional Assistance (for all areas) : The KVIC sanctions assistance for promotional schemes such as exhibitions, conferences, seminars, symposia and propaganda through advertisements etc. The expenditure on these items is sanctioned as 100 per cent grant on the basis of specific schemes only.

E. Rebate and subsidies (for all areas)

(a) Rabate on Cotton Khadi :

- (1) 15 paise per rupee on the retail sales of Cotton khadi and readymade garments made out of cotton khadi and processed khadi.
- (2) 10 paise per rupee on woollen apparels and readymade garments (excluding pashmina and pashmina mixed with cotton and/or silk) made out of them.
- (3) Rebate @ 10 paise per rupee and additional rebate upto 10 paise per rupee on all supplies of woollen goods including Kambal and Kambalies made through the Commission to the DGS & D and all orders finalised through the Commission for supply of woollen khadi goods in bulk to known and verified purchasers such as the plantations, railways and local self government institutions etc,
- (4) 10 paise per rupee on retail sales of spun silk khadi and spun silk mixed with reeled silk.
- (5) Additional rebate is sanctioned on all varieties of khadi with the prior approval of Government during the special rebate normally starting with Gandhi Jayanti.
- (6) There is no rebate in village industries except Poly Vastra where special rebate is sanctioned with prior approval of Government.

F. Training :

(a) Assistance in the form of grant is provided to training institutions for meeting recurring and non recurring expenditure on approved schemes for training programme for conducting various courses in khadi and village industries.

(b) Trainees are provided stipend at prescribed rates and T. A. for to and fro journey from the nearest railway station to the training centre.

(c) In some cases, tuition fees and other grants are also provided to the institutions.

G. Research Grant :

Upto Rs.5,000 to individuals and Rs. 50,000 for institutions undertaking research projects is provided subject to conditions stipulated by the KVIC.

H. Marketing :

For non-recurring expenditure funds are sanctioned in the form of grant and loan. In addition, recurring grant for meeting management expenses is sanctioned on tapering scale. The rates of grant vary according to the category of the bhandar/gramshilpa/gramodyog sales depot. Funds are also provided for renovation of old bhandars.

I. Bank Finance :

A comprehensive interest subsidy scheme is applicable to KVIC Regd. institutions, cooperatives and State Khadi and V. I. Boards only both for khadi and V. I. (under the schedule of V. I.) under which the financial assistance is extended by the bank on the basis of eligibility certificates issued by the KVIC. The implementing agencies have to bear interest @ 4 per cent per annum and balance interest is borne by KVIC which is paid to the banks in the form of interest subsidy. The individuals under cottage match industry only are also covered under this scheme.

J. Rates of Interest :

(a) Loans for khadi advanced by KVIC obtained from budgetary support are free of interest.

(b) Village industries - all loans carry interest @ 4 per cent per annum.

K. Tenure of Loans :

(a) Capital Expenditure :

(i) Buildings (a) 10 years for pucca construction.

(b) 5 years for kachcha structure.

- (ii) Machinery/equipment : 10 years.
- (iii) Tools and implements : 5 years.

(b) **Working Capital :**

- (i) Khadi – working fund system is in vogue.
- (ii) Village Industries – 5 years.

(c) **Share Capital/Capital formation loan :**

5 years for both khadi and village industries.

ANNEXE III (Para 6.8)

PROGRESS OF INSTITUTIONAL FINANCE UNDER KVIC 1979-80 to 1985-86

Amounts outstanding

(Rs. crores)

Year	Under KVIC's interest subsidy scheme
1979-80	7.75
1980-81	8.45
1981-82	23.08
1982-83	36.00
1983-84	41.63
1984-85	40.94*
1985-86	56.34@

(contd. on next page)

ANNEXE III—(Contd.) (Para 6.9)

PROGRESS OF BANK FINANCE UNDER KVIC'S INTEREST SUBSIDY SCHEME IN 1985-86

Sr. No.	Name of the State	Eligibility Certificates issued to the Institutions				Eligibility Certificates issued to the State Board			
		Khadi		V.I.		Khadi		V.I.	
		No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.
1	2	3	4	5	6	7	8	9	10
1.	Andhra Pradesh (17)	14	1,30,87,800	7	1,53,53,500	—	—	—	1,42,87,500
2.	Bihar (20)	20	3,96,40,440	2	6,97,000	—	16,31,600	—	78,375
3.	Delhi (5)	4	22,95,250	2	1,10,000	—	—	—	—
4.	Goa, Daman and Diu	—	—	—	—	—	—	—	10,00,000
5.	Gujarat	—	—	—	—	—	2,60,36,000	—	2,12,75,000
6.	Haryana (6)	6	1,35,42,750	—	—	—	—	—	1,00,50,000
7.	Himachal Pradesh (2)	2	72,12,125	1	2,57,000	—	—	—	30,00,000
8.	Jammu and Kashmir (2)	2	9,60,500	—	—	—	—	—	16,44,200
9.	Karnataka (15)	15	2,51,36,325	5	6,45,000	—	10,39,000	—	1,37,47,000
10.	Kerala (8)	8	1,77,83,125	—	—	—	1,48,56,250	—	1,31,78,000
11.	Madhya Pradesh (7)	7	1,13,35,310	—	—	—	91,01,000	—	24,94,525
12.	Maharashtra (12)	8	68,81,775	7	88,95,000	—	30,00,000	—	9,00,08,500
13.	Orissa (1)	—	—	1	67,500	—	—	—	12,50,000
14.	Punjab and Chandigarh (11)	11	3,69,10,000	2	6,00,000	—	—	—	76,72,500
15.	Pondicherry	—	—	—	—	—	1,07,000	—	—
16.	Rajasthan (25)	25	3,00,83,310	14	30,99,000	—	92,81,000	—	14,70,500
17.	Tamil Nadu (56)	47	3,91,51,500	49	31,99,500	—	5,56,73,000	—	3,27,00,000
18.	Uttar Pradesh (46)	42	29,16,47,826	14	19,38,500	—	3,67,500	—	3,90,50,850
19.	West Bengal (15)	13	87,31,470	2	2,25,000	—	18,000	—	22,54,250
20.	Tripura	—	—	—	—	—	—	—	29,11,500

(contd. on next page)

ANNEXE III—(Contd.) (Para 6.9)

PROGRESS OF BANK FINANCE UNDER KVIC'S INTEREST SUBSIDY SCHEME IN 1985-86

Sr. No.	Name of the State	Bank Finance availed							
		INSTITUTIONS				STATE BOARDS			
		Khadi		V.I.		Khadi		V.I.	
		No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.	No.	Amount Rs.
1	2	11	12	13	14	15	16	17	18
1.	Andhra Pradesh (17)	5	20,78,250	—	—	—	—	—	2,87,345
2.	Bihar (20)	10	1,92,13,266	2	5,78,000	—	—	—	—
3.	Delhi (5)	2	10,92,000	1	70,000	—	—	—	—
4.	Goa, Daman and Diu	—	—	—	—	—	—	—	—
5.	Gujarat	—	—	—	—	—	1,00,71,000	—	98,53,000
6.	Haryana (6)	3	66,09,460	—	—	—	—	—	2,70,000
7.	Himachal Pradesh (2)	1	49,14,000	1	2,37,000	—	—	—	3,00,000
8.	Jammu and Kashmir (2)	1	99,750	—	—	—	—	—	—
9.	Karnataka (15)	10	1,31,88,825	1	28,500	—	—	—	35,65,303
10.	Kerala (8)	2	1,44,54,875	—	—	—	—	—	—
11.	Madhya Pradesh (7)	2	23,25,175	—	—	—	18,50,000	—	17,71,083
12.	Maharashtra (12)	1	1,48,000	3	69,00,000	—	30,00,000	—	8,40,55,000
13.	Orissa (1)	—	—	—	—	—	—	—	—
14.	Punjab and Chandigarh (11)	8	1,48,75,650	2	6,00,000	—	—	—	—
15.	Pondicherry	—	—	—	—	—	—	—	—
16.	Rajasthan (25)	12	1,69,80,750	2	6,09,500	—	90,00,000	—	—
17.	Tamil Nadu (56)	18	1,06,61,325	5	7,22,000	—	2,25,00,000	—	2,85,00,000
18.	Uttar Pradesh (46)	22	15,83,60,250	3	11,60,000	—	—	—	1,02,00,000
19.	West Bengal (15)	2	22,65,625	—	—	—	—	—	—
20.	Tripura	—	—	—	—	—	—	—	—
TOTAL			26,72,67,201		1,09,05,000		4,64,21,000		13,88,01,731

Notes: (i) In addition to above, in 1985-86, KVIC had an authorisation of Rs. 10.05 crores (Khadi Rs. 9.30 crores and V.I. Rs. 0.75 crore). This does not include bank finance availed under biogas programme.

(ii) In addition, bank finance is also availed for biogas programme, the details of which are not available.

(iii) The bank finance is mostly availed for working capital.

@ : On the basis of claims received upto 31-10-1986.

* : (i) Fall due to less availment under Cotton purchase scheme by KVIC.

ANNEXE IV (Para 6.17)

**PATTERN OF GOVERNMENT RELEASES FROM 1980-81 TO 1986-87 (UPTO AUGUST 1986) UNDER
KHADI GRANT, V.I. GRANT AND SCIENCE AND TECHNOLOGY EXCLUDING BIOGAS,
TRYSEM AND NON PLAN**

Sr. No.	Year	Khadi Grant			S & T Khadi		
		Date of Payment	Amount Rs.	Total Rs.	Date of Payment	Amount Rs.	Total Rs.
1	2	3	4	5	6	7	8
1.	1980-81	1. 08-07-80	1,83,33,000		1. 08-07-80	44,00,000	
		2. 28-08-80	3,66,67,000		2. 25-03-81		
		3. 27-10-80	5,50,00,000				
		4. 09-03-81	1,50,00,000				
				12,50,00,000			44,00,000
2.	1981-82	1. 30-05-81	4,95,00,000		1. 09-03-82	50,00,000	
		2. 04-08-81	4,95,00,000				
		3. 01-01-82	4,95,00,000				
		4. 09-03-82	4,95,00,000				
		5. 25-03-82	4,00,00,000				
				23,80,00,000			50,00,000
3.	1982-83	1. 27-05-82	4,00,00,000		1. 27-05-82	9,00,000	
		2. 09-08-82	8,00,00,000		2. 09-08-82	16,00,000	
		3. 14-12-82	1,88,19,000		3. 14-12-82	9,00,000	
		4. 09-03-83	10,11,81,000				
		5. 31-03-83	1,00,00,000				
				25,00,00,000			34,00,000
4.	1983-84	1. 18-07-83	4,50,00,000		1. 18-07-83	9,00,000	
		2. 28-09-83	9,00,00,000		2. 30-09-83	16,00,000	
		3. 17-01-84	6,75,00,000		3. 17-01-84	12,50,000	
		4. 26-03-84	6,75,00,000				
				27,00,00,000			37,50,000
5.	1984-85	1. 04-06-84	4,50,00,000		1. 04-06-84	8,33,000	
		2. 26-09-84	9,00,00,000		2. 26-09-84	16,67,000	
		3. 26-02-85	6,75,00,000		3. 26-02-85	12,50,000	
		4. 27-03-85	7,75,00,000		4. 27-03-85	12,50,000	
				28,00,00,000			50,00,000
6.	1985-86	1. 04-07-85	8,50,00,000		1. 04-07-85	6,25,000	
		2. 05-11-85	4,50,00,000		2. 05-11-85	6,25,000	
		3. 27-01-86	8,00,00,000		3. 19-03-86	12,50,000	
		4. 20-02-86	4,50,00,000				
		5. 19-03-86	8,50,00,000				
				34,00,00,000			25,00,000
7.	1986-87	1. 20-05-86	3,30,00,000		1. 20-05-86	4,00,000	
	(Upto	2. 05-08-86	12,00,00,000				
	August			15,30,00,000			4,00,000
	1986)						

ANNEXE IV—(Contd.) (Para 6.17)

**PATTERN OF GOVERNMENT RELEASES FROM 1980-81 TO 1986-87 (UPTO AUGUST 1986)
UNDER KHADI GRANT, V.I. GRANT AND SCIENCE AND TECHNOLOGY
EXCLUDING BIOGAS, TRYSEM AND NON PLAN**

Sr. No.	Year	V.I. Grant			S & T V.I.		
		Date of Payment	Amount Rs.	Total Rs.	Date of Payment	Amount Rs.	Total Rs.
1	2	9	10	11	12	13	14
1.	1980-81	1. 08-07-80	1,04,17,000		1. 08-07-80	44,00,000	
		2. 26-11-80	3,64,58,000		2. 25-03-81		
		3. 09-03-81	56,25,000				
				5,25,00,000			44,00,000
2.	1981-82	1. 30-05-80	1,67,50,000		1. 30-05-81	50,00,000	
		2. 18-08-81	1,67,50,000				
		3. 01-01-82	1,67,50,000				
		4. 09-03-82	1,67,50,000				
				6,70,00,000			50,00,000
3.	1982-83	1. 09-08-82	1,00,00,000		1. 27-05-82	16,00,000	
		2. 09-03-83	2,00,00,000		2. 09-08-82	34,00,000	
					3. 14-12-82	25,00,000	
				3,00,00,000			75,00,000
4.	1983-84	1. 18-07-83	83,33,000		1. 18-07-83	16,00,000	
		2. 28-09-83	1,66,67,000		2. 30-09-83	34,00,000	
		3. 17-01-84	1,25,00,000		3. 17-01-84	25,00,000	
		4. 26-03-84	1,25,00,000				
				5,00,00,000			75,00,000
5.	1984-85	1. 04-06-84	1,50,00,000		1. 04-06-84	25,00,000	
		2. 26-09-84	3,00,00,000		2. 26-09-84	50,00,000	
		3. 26-02-85	2,25,00,000		3. 26-02-85	12,50,000	
		4. 27-03-85	1,25,00,000		4. 27-03-85	12,50,000	
				8,00,00,000			1,00,00,000
6.	1985-86	1. 04-07-85	2,00,00,000		1. 04-07-85	18,75,000	
		2. 05-11-85	1,00,00,000		2. 05-11-85	18,75,000	
		3. 27-01-86	2,00,00,000		3. 19-03-86	37,50,000	
		4. 19-03-86	3,00,00,000				
				8,00,00,000			75,00,000
7.	1986-87 (Upto August 1986)	1. 20-05-86	1,00,00,000		1. 20-05-86	12,00,000	
		2. 05-08-86	1,00,00,000				
				2,00,00,000			12,00,000

ANNEXE IV—(contd.) (Para 6.17)

**PATTERN OF GOVERNMENT RELEASES FROM 1980-81 TO 1986-87 (UPTO AUGUST 1986)
UNDER KHADI AND V. I. LOAN**

Sr. No.	Year	Khadi Loan			Village Industries Loan		
		Date of Payment	Amount Rs.	Total Rs.	Date of Payment	Amount Rs.	Total Rs.
1	2	3	4	5	6	7	8
1.	1980-81	1. 08-07-80	4,66,67,000		1. 08-07-80	3,66,67,000	
		2. 26-11-80	16,33,33,000		2. 26-11-80	12,83,33,000	
		3. 28-03-81	3,50,00,000		3. 25-03-81	6,79,52,000	
				24,50,00,000			23,29,52,000
2.	1981-82	1. 30-05-81	4,62,50,000		1. 30-05-81	6,00,00,000	
		2. 01-01-82	9,25,00,000		2. 18-08-81	6,00,00,000	
		3. 09-03-82	4,12,50,000		3. 01-01-82	6,00,00,000	
				18,00,00,000	4. 09-03-82	6,50,00,000	24,50,00,000
3.	1982-83	1. 27-05-82	3,00,00,000		1. 27-05-82	4,00,00,000	
		2. 09-08-82	6,50,00,000		2. 09-08-82	8,25,00,000	
		3. 14-12-82	4,54,59,000		3. 14-12-82	6,12,50,000	
		4. 09-03-83	2,70,41,000	16,75,00,000	4. 09-03-83	7,87,50,000	26,25,00,000
4.	1983-84	1. 18-07-83	3,75,00,000		1. 18-07-83	4,66,67,000	
		2. 28-09-83	7,50,00,000		2. 28-09-83	9,33,33,000	
		3. 17-01-84	5,62,50,000		3. 17-01-84	7,00,00,000	
		4. 26-03-84	7,62,50,000	24,50,00,000	4. 26-03-84	5,00,00,000	26,00,00,000
5.	1984-85	1. 01-04-84	3,33,33,000		1. 04-06-84	7,16,67,000	
		2. 26-09-84	6,66,67,000		2. 26-09-84	14,33,33,000	
		3. 26-02-85	11,00,00,000		3. 26-02-85	4,75,00,000	
		4. 27-03-85	5,50,00,000	26,50,00,000	4. 27-03-85	7,25,00,000	33,50,00,000
6.	1985-86	1. 04-07-85	7,00,00,000		1. 04-07-85	9,10,50,000	
		2. 05-11-85	7,00,00,000		2. 05-11-85	7,00,00,000	
		3. 27-01-86	4,00,00,000		3. 27-01-86	6,00,00,000	
		4. 20-02-86	1,00,00,000		4. 20-02-86	5,21,00,000	
		5. 19-03-86	9,00,00,000	28,00,00,000	5. 19-03-86	9,10,50,000	36,42,00,000
7.	1986-87 (Upto August)	1. 20-05-86	4,00,00,000		1. 20-05-86	5,80,00,000	
		2. 05-08-86	4,00,00,000	8,00,00,000	2. 05-08-86	5,00,00,000	10,80,00,000

ANNEXE V (Para 6.23)

PROGRESS IN SETTLEMENT OF AUDIT REPORTS/PARAS

Sr. No.	Items	Reports	Paras
1.	Opening balance of audit reports/paras as on 1-4-1985	407	3259
2.	Receipts during the period from 1-4-1985 to 31-3-1986	44	397
	Total	451	3656
3.	Settlement during the period from 1-4-1985 to 31-3-1986	15	627
4.	Closing balance of outstanding reports/paras as on 31-3-1986	436	3029

ANNEXE VI (Para 6.26)

DETAILS OF CASES UNDER LEGAL ACTION/REVENUE RECOVERY PROCEEDINGS INITIATED FOR RECOVERY

I. Civil Suits

Total No. of civil suits	8
Suits decreed	7
(Delhi 1, Karnataka 1, Kerala 1, Maharashtra 1, Tamil Nadu 2 and West Bengal 1).	
Amount decreed	Rs. 2,19,129.61
Amount so far recovered	Rs. 1,46,578.13
Balance to be recovered	Rs. 72,551.48

Sr. No. Name of the institution in which case the suit is pending in the Court.

	Amount due
1. Gram Vikas Seva Mandal Bremonki Saceri (Rajasthan)	Rs. 2,088.40
	Rs. 2,088.40

II. Referred to Arbitration.

(a) Decree obtained on awards 21

Sr. No.	State	No. of cases	Amount awarded Rs.	Amount decreed Rs.
1.	Andhra Pradesh	1	14,817.65	6,679.08
2.	Kerala	2	6,810.90	6,971.40
3.	Manipur	4	17,578.80	14,038.80
4.	Karnataka	2	21,804.92	19,834.92
5.	Madhya Pradesh	2	98,875.30	98,725.30
6.	Orissa	1	47,141.41	47,141.41
7.	Uttar Pradesh	2	6,26,637.90	6,26,869.40
8.	Tripura	1	5,338.00	5,645.37
9.	West Bengal	6	21,18,242.22	21,19,233.36
		21	29,57,247.10	29,47,139.04

Amount recovered after passing of decree onwards	Rs. 2,61,047.75
Balance to be recovered	Rs. 26,86,091.29

(b) Awards pending with Court-		2	
Sr. No.	State	No. of cases	Amount awarded Rs.
1.	Jammu and Kashmir	1	8,95,228.55
2.	West Bengal	1	93,136.28
			9,88,364.83

Amount recovered after passing of awards	Rs. 2,911.26
Decrees to be obtained for the balance Amount	Rs. 9,85,453.57

III. (a) Cases pending with Revenue Authority (Institutions).

Total number of cases — 252.

Andhra Pradesh 22, Assam 4, Bihar 8, Delhi 2, Gujarat 1, Kerala 8, Tamil Nadu 6, Madhya Pradesh 9, Manipur 45, Karnataka 13, Maharashtra 21, West Bengal 33, Uttar Pradesh 48, Rajasthan 8, Tripura 8, Punjab 2, Orissa 8 and Himachal Pradesh 1.

Amount involved Rs. 2,00,81,114.84

Amount so far recovered Rs. 20,30,081.64

Rs. 1,80,51,033.20

(b) Trading and other recoveries

No. of cases—5

(3 Maharashtra, 2 Delhi)

Amount involved Rs. 2,57,721.75

Amount recovered Rs. 21,069.95

Balance to be recovered Rs. 2,36,651.80

IV. Cases at the notice stage

No. of cases—91.

Amount involved Rs. 1,43,24,600.64

Amount recovered Rs. 16,01,275.84

Balance to be recovered Rs. 1,27,23,324.80

V. Dispute applications (pending with the Co-operative Departments in Madhya Pradesh against Co-operative Societies).

As on 30-9-1986 — 2 cases

Amount involved Rs. 11,415.33

Amount recovered Rs. 6,399.50

Balance to be recovered Rs. 5,015.83

VI. Co-operative Societies in Liquidation

Position as on	No. of cases	Amount involved Rs.	Amount so far recovered Rs.	Balance to be recovered Rs.
30-6-86	144	40,74,185.39	11,69,881.02	29,04,304.37
30-9-86	142	40,27,910.52	11,66,506.81	28,61,403.71

VII. Cases referred to Tribunal

No. of cases — 4

Amount involved Rs. 8,55,859.77

Amount recovered Rs. 4,977.79

Amount to be recovered Rs. 8,50,881.98

VIII. Cases in which 19-B notice has not been issued but authority has been given to the State Directors to take possession of movable assets of the institutions in terms of hypothecation deeds.

No. of cases — 10

Amount involved Rs. 29,45,601.68

Amount recovered Rs. 1,25,418.52

Amount to be recovered Rs. 28,20,183.16

IX. Cases written off : No. of cases — 35

Amount written off : Rs. 2,33,180.78

Summary of cases is as under

	30-6-86	30-9-86
1. Cases of Civil Suits	7	7
2. Cases of Arbitration	24	24
3. Cases with Revenue Authority	256	259
4. Dispute applications filed with Coop. Deptt. in Madhya Pradesh	2	2
5. Coop. Societies in liquidation	144	142
6. Cases written off	35	35
7. Cases at the notice stage	93	90
8. Cases withdrawn	45	46
9. Cases pending with Tribunal	3	3
10. Tribunal given the Award but not executed	1	1
11. Cases of Authority given to State Directors for taking possession of movable assets	11	10

CHAPTER 7

SCIENCE & TECHNOLOGY

Section 15 (2) (d) of the KVIC Act authorised the Commission to take steps "to encourage and promote research in the technique of production of khadi or in the development of village industries, or to provide facilities for a study of the problems relating to khadi or village industries". Accordingly KVIC set up 34 research and extension institutions and centres in different parts of the country. Details may be seen in Table 1 at the end of the Chapter. They have been arranged according to the industry. It will be seen that one institution only viz. Jamnalal Bajaj Research Institute, Wardha has been designed to cover a group of industries and thus to develop research capabilities over a wide area. It was established in 1955 as part of the First Five Year Plan and was expected to serve as a liaison between National Laboratories and small research institutes in the entire field of khadi and village industries. Some of the other institutions have more to do with extension, training and testing than research. This is particularly true of Non-edible Oils and Soap, Cottage Match and Lime. Eight institutions, the largest number for a single industry, are devoted to Cottage Match while Non-edible Oils and Soap and Lime receive exclusive attention at 7 and 5 institutions respectively. Next in order are Handmade Paper with 4 institutions, Palm Gur with 3, Pottery with 2, Beekeeping, Cotton Khadi, Biogas and Silk Khadi one each. As regards Khadi, particularly spinning, the KVIC has been relying largely on the Prayog Samiti, established by the Sarva Seva Sangh in Ahmedabad (Gujarat) in 1958 to which it has extended financial assistance liberally and regularly. The KVIC also referred specific technical problems to the National Scientific Research Institutions for study. Besides, individuals and small research institutions were encouraged to undertake applied research on selected aspects. As a result of these activities, the KVIC was able to introduce improved tools and equipment and to raise productivity to some extent. We have taken note of the important improvements in Table 1 referred to in para 2.5. Here we may complete the picture by noting the expenditure incurred till the end of the Fourth Plan :

1. First Plan	Rs. 1.84 lakhs
2. Second Plan	Rs. 14.63 lakhs
3. Third Plan	Rs. 39.99 lakhs
4. Annual Plan	Rs. 28.54 lakhs
5. Fourth Plan	Rs. 18.96 lakhs
Total	Rs.103.96 lakhs.

(Note : The above does not include several amounts spent on departmental activity in the nature of research).

7.2 A new phase opened with the Fifth Five Year Plan. The National Committee on Science & Technology (NCST) set up by the Department of Science and Technology, Government of India decided to take interest in the research and development activities of the KVIC in view of the capacity of khadi and village industries "to create employment opportunities in situ and more so at a low capital cost". It constituted a Panel on Khadi and Village Industries which in turn formed two planning groups, one on Khadi headed by Shri Somdutt and another on Village Industries headed by Prof. J. C. Kanc. Their terms of reference, inter-alia included study of the on-going R & D effort and identification of areas of technical research, a time bound programme for the projects and suitable institutional arrangements. NCST recognised KVIC as the nodal body for carrying on R & D work in the KVI Sector. The latter could, if necessary, farm out projects to other institutions. While acknowledging the contribution already made by KVIC to the adoption of improved technology, the Committee highlighted the following shortcomings :

- (a) the impact of improved technology is rather limited even among traditional artisans to whom it is mainly directed. "The extension efforts appear to lag behind";
- (b) the expenditure incurred on R & D is small compared to the size of problem;
- (c) no significant coordination between different agencies undertaking research especially in regard to national laboratories;
- (d) no plan for research & development or research calendar;
- (e) inadequate attention to organisational aspects of the improved technique of production;
- (f) need for new emphasis on the training programme and
- (g) suitable incentives have to be provided to induce traditional artisans to adopt improved technology.

The Committee concluded that there was no escape from the adoption of improved technology and the use of modern equipment and instruments. It suggested that the following should be the aims of transfer of S & T to the village industries (including Khadi) :

- (a) reduction of drudgery;
- (b) increase in earning power;
- (c) production of quality goods in comparison with the products of other sectors;
- (d) use of locally available raw materials with a view to avoid migration outside the familiar region;
- (e) the existing elements of skill and personal interest of the artisans should be preserved and the new technology should not make him a slave of the machine and
- (f) the ultimate result should be increase in employment potential either in the primary activity or auxiliary and incidental activity and efficient utilisation of local raw materials.

7.3 As a sequel to the recommendations of the NCST Panel, 52 Projects were indentified for implementation during the Fifth Plan. But out of them 32 only could be actually taken up. Most of them had to be continued in the Sixth Plan period although it was originally envisaged that they could be completed in about three years. While the Department of Science and Technology provided the funds and monitored the programme during the Fifth Plan, this responsibility was transferred to the administrative ministry (viz : Ministry of Industry) during the Sixth Plan. The list of projects taken up, the agencies entrusted with them and other details may be seen at Table 2.

7.4 To look after the above programme, the KVIC created a separate Directorate of Science and Technology in 1976, with the following functions :

- (i) formulation of R & D projects and their appraisal;
- (ii) monitoring and reviewing of on-going projects of implementing agencies;
- (iii) coordination with the implementing agencies;
- (iv) liaison with other similar R & D/S & T organisations/departments;
- (v) preparation of annual plans;
- (vi) reporting to the KVIC and Government;
- (vii) organisation of seminars and Saranjam Sammelans and participating in seminars arranged by other institutions and
- (viii) convening the meetings of S & T Advisory Committee.

The Directorate was required to maintain close coordination with Council for Scientific and Industrial Research (CSIR) Laboratories, Departments of Science & Technology and of Non-Conventional Energy Sources (DNES) in the Government, Indian Institutes of Technology (IIT), Regional Engineering Colleges, Universities, National Small Industries Corporation (NSIC) and National Institute of Small Industries Extension Training (NISIET), Community Polytechnics, Research Institutions in the private sector as well as voluntary organisations, Council for Advancement of Rural Technology (CART), State Councils for Science and Technology, Ahmedabad Textile Industries Research Association (ATIRA), Bombay Textile Research Association (BTRA), Silk and Art Silk Mills Research Association of Man Made Fibre (SASMIRA) etc. At present, 8 gazetted and 95 non-gazetted personnel are working in the Directorate as against the sanctioned strength of 16 and 119 respectively. Of these, very few may be described as scientists. From the beginning, the entire staff was treated as schematic staff borne on the approved S & T projects. Qualifications and the job requirements were laid down by the Science & Technology Advisory Committee (when it existed) and approved by the Commission. Recruitment was effected through the Services Board of the KVIC subject to the approval of the Government.

7.5 Government made an allocation of Rs. 5 crores in the Fifth Plan and Rs. 10 crores in the Sixth Plan. Table 3 gives details of releases by the Government and expenditure by

the KVIC separately for khadi and village industries during the last 10 years, 1976-77 to 1985-86. Actual expenditure fell short of the amounts released by Government. It is rather disquieting to notice that the specific resources made for S & T have not only not been utilised but also diverted to other purposes, thereby defeating the very purpose of providing a separate allocation.

7.6 We are informed that the main reason for under-utilisation was the time consumed to get the required land, buildings and staff. By the time these became available, the time allotted for the projects was over. In other words, the planning of the programme and the creation of infrastructure facilities, left much to be desired. Although a separate Directorate was created in the KVIC for these purposes, it was not equipped with the personnel and the authority necessary for guiding and implementing the research programmes. During the short span of 1976-77 to 1985-86, there were as many as 5 Directors and one of them did not even possess any basic technical background or experience. The posts in the Science & Technology Directorate came to be viewed as promotion opportunities to the regular staff or other Directorates who in addition were allowed to run their own research programmes without involving the S & T Directorate. By and large the role of the S & T Directorate became peripheral.

7.7 The withdrawal of the Department of Science & Technology from the programme in the Sixth Plan also had some adverse effects on the technical content. The discontinuance of the Central Advisory Committee on S & T from 1982 made matters worse. None of the Members of the KVIC had the training or background to provide the necessary drive and leadership in the field of Science & Technology. No serious attempt was made to make good this deficiency, as was done in earlier decades, by associating eminent scientists with the work of the KVIC through Adhoc Committees and by giving them sense of purposeful participation. One Scientist who was invited to head a Committee complained to us about the failure of the KVIC to follow up the report and implement the suggestions.

7.8 The importance of S & T for the decentralised sector and for production by the masses has been emphasised once again by the Technology Policy Statement of January, 1983 in the following words : "The application of Science and Technology for improvement of standards of living of those engaged in traditional activities will be promoted, particularly household technologies. Technologies relevant to the cottage and small industries sector will be upgraded. In the decentralised sector, labour must be diversified and all steps taken to reduce drudgery. In all sectors the potential impact on employment will be an important criterion in the choice of technology". The Seventh Five Year Plan carried the matter further by calling for technology, the transfer costs of which are reasonable enough for the tiny and small entrepreneurs to experiment with it and a delivery mechanism which is cost effective. Accordingly a provision of Rs. 15 crores has been made in the plan for research under S & T in KVI Sector. It is necessary to consider and adopt measures that will ensure a purposeful utilisation of this sum.

7.9 In this connection, it is useful to recall the recommendations made by the Working Group on R & D set up in connection with the Seventh Five Year Plan. They are as follows :

- (a) inadequacy of technical and scientific personnel being the basic reason for the unsatisfactory implementation of R & D programmes, a separate cadre of R & D personnel should be built up, with pay scales at par with other national R & D organisations and with a promotion policy on the lines indicated by the Department of S & T in its O.M. No. A-12034/16/83-E-III dated 24th January, 1984 (Annexe I);
- (b) the Directorate of S&T should develop an information system to collect, collate and disseminate technology data relevant to KVI Sector from all sources;
- (c) KVIC should establish a Central Research Institute for R & D at a place which is easily accessible to Industry Directorates;
- (d) regional technical-cum-extension centres, at present under different Industry Directorates should be converted into Technology Transfer Centres and placed under the control of the S & T Directorate;
- (e) KVIC should promote innovative research in outside institutions;
- (f) technology transfer should be part of a research project and Saranjam Sammelans should be organised for obtaining the feed-back;
- (g) a Central Laboratory should be set up for quality testing and standardising products, wherever there are no I. S. I. or similar recognised standards;
- (h) S & T Directorate should undertake cost benefit studies of technologies and
- (i) a Research Advisory Committee should be set up with sub-groups for different industries.

7.10 We endorse all the above recommendations except the one at (c). As regards the establishment of a new Central Laboratory for R & D, we have reservations. We think that the KVIC should devote its resources and energy to revamping the existing institutions rather than to the creation of a new Central Laboratory. In fact Jamnalal Bajaj Central Research Institute, Wardha, originally conceived as a Central Laboratory, has been in need of reorganisation for quite some time. Should the KVIC, however, conclude that new research facilities have to be developed for any particular industry or for a particular region on the ground that industry or region is not served adequately at present, the KVIC would do well to explore, as a first step, the possibility of entrusting an established research institute to undertake research with the KVIC's aid. We believe that the Commission should concentrate on developing a net-work of research institutions properly distributed among the regions of the country and entrusting them with the responsibility of studying the technical problems of village industries suitable for their respective regions. We recommend

that for this purpose, there should be no bar against selecting research institutions outside the control of KVIC, particularly in regions where KVIC has not developed any institution of its own or of one of its field agencies. Eastern India is an example to point. The illustrative list of institutions is given in the Annexe II.

7.11 We have gone through the Report of Dr. B. D. Tilak Committee on JBCRI dated August 13, 1982. In reply to our enquiries we have been informed that the KVIC merely noted the Report vide item No. 312 of the Minutes of the Meeting dated 22nd October 1982 and that subsequent action thereon had been stalled by the general ban on creation of new posts and filling of vacant posts laid down by Government. It is not, however, clear whether a detailed proposal for the revamping of the Institute on the basis of the Tilak Committee Report was turned down by Government despite their emphasis on research and the special allocation in the Sixth Plan. It is indeed unfortunate that nothing concrete was done although ideas for shifting the Institute from Wardha and for reducing the gross imbalance in the technical and non-technical components of the staff were mooted from time to time. We can only reiterate the relevance of the recommendations of Tilak Committee even today and urge for their early implementation with such modifications as may be considered necessary in the present circumstances. The KVIC should prepare comprehensive proposal and approach the Government for approval and sanction of necessary funds.

7.12 We have noted with regret that the buildings now used by JBCRI are in a dilapidated condition and are unfit for carrying out scientific research. Steps must, therefore, be taken to improve the physical facilities immediately. We understand that the land and most of the buildings under the control of the Institute were taken on lease from Sarva Seva Sangh initially for a period of fifteen years from January 1, 1955. It was renewed for thirty years from June 1, 1970. The KVIC has already constructed roads, one overhead tank and some buildings on the leased land with its own funds. The lease rent of Rs. 12 per annum may be considered nominal. Besides, the Commission is required to pay a sum of Rs. 30,000 per annum by way of compensation for costs incurred by the Sarva Seva Sangh in respect of its upkeep, repairs and replacements in the premises. Local taxes are also payable by KVIC. It appears that KVIC indicated to Sarva Seva Sangh in January, 1981 its intention to purchase the property. The Sangh sent a prompt reply that it would place the proposal before its Karyakarini Samiti and Trustee Mandal. According to the latest Report of the Chief Executive Officer of the KVIC, the KVIC did not follow up the matter further by making a formal proposal indicating the purchase price it is ready to offer. We are given to understand that the Sarva Seva Sangh would be willing to consider the matter favourably if the KVIC spelt out the purpose for which the land is required, the importance of the work to be undertaken by the KVIC on the said land for rural uplift and a reasonable price in consonance with the present conditions. It is not, therefore, clear to us why a proposal to shift the institute to a different place was mooted on the ground that the land was not available for purchase and that large investment could not be made on leased land. One member of our Committee who has studied the problems of JBCRI in some depth is strongly

of the opinion that to shift it to a different location will be retrograde step and that building an Institution on a virgin site will be a time-taking exercise. The other member of the Committee who had been all the time under the impression that the KVIC could not be expected to invest on buildings and other capital works on a leased land and that the present property was definitely not available for purchase have swung round to the view that the balance of convenience lies in the KVIC taking up the matter vigorously and sincerely with the Sarva Seva Sangh with a view to clinch a deal in a short period. The Sarva Seva Sangh who is devoted to rural uplift and development of institutions based on Gandhian approach particularly in Wardha district, may not stand in the way if attractive terms are offered. We, therefore, recommend that the KVIC should take all steps to expedite the purchase of the property, prepare plan for the creation of new physical facilities and obtain the approval of the Government.

7.13 The comprehensive plan for J.B.C.R.I. we have referred to above should include the following items. First, the institute must have a permanent core staff of scientists and others for manning different Divisions and Administrative Wings. 10 Divisions were identified to look after 8 out of 28 industries within the purview of the KVIC. A copy of the organogram suggested by the Committee is attached at Annexe III. It was recommended that some industries like Cottage Match, Collection of Medicinal Plants, Bio-Gas and Leather should be transferred to other institutions within KVIC or without. Second, the Director of the Institute should be atleast of the rank of a University Professor and must be assisted by a local Staff Selection Committee with a view to avoid delays in recruitment. Third, the Institute should have a Research (Development and Design) Advisory Committee with a renowned Engineer/Scientist as Chairman and the Director as Secretary. Fourth, there should be no dual control over the Institute and the Director should be fully empowered to execute the programmes under the guidance of Advisory Committee in which the concerned Industry Directors of the KVIC will be members.

7.14 We wish to add that in the long run it would be better if JBCRI is constituted as a separate registered society with its own governing body under the watchful eyes and patronage of KVIC. Otherwise it would be difficult to ensure in practice that the Institute enjoys the autonomy it needs for research and that the arrangements for staff recruitment, control etc., are not unduly influenced by considerations other than the successful management of the R&D function. What is said here and in the previous para about organisational improvements in JBCRI apply mutatis mutandis to other research institutions under KVIC. Each will, of course, have to be studied carefully for determining the scope of work, list of industries to be covered, scientific disciplines required for their core Divisions etc.

7.15 A great deal will depend on the leadership and direction that the KVIC will be able to provide at the top and the seriousness with which it will perform its review and monitoring functions. It is our hope that the presence of a member in the KVIC with S&T background will ensure meaningful discussion and prompt attention to issues relating to

S&T. We suggest that a Central Advisory Committee on S&T be established under his Chairmanship. It may consist of 5 to 7 members experienced in research, besides the Chief Executive Officer and Financial Adviser of the KVIC. The Committee may have sub-committees for different industries which also will be composed of relevant experts. While the sub-committees will be serviced by the different Industry Directors as Convenors, the Central Committee will have the Director, S&T as the convenor. The Directorate of S&T should be charged with the overall responsibility of implementing the entire S&T programmes under Khadi and Village Industries. It should coordinate research and development programmes either implemented departmentally or otherwise and monitor, supervise and undertake its critical evaluation. It should also keep liaison with other R&D organisations and disseminate information to the implementing agencies. It is in this capacity that it is called upon to organise meeting of the Central Advisory Committee on S&T, and submit reports periodically to the KVIC. It should organise a technological documentation service and bring out a bulletin regularly for the benefit of R&D personnel. Here we should commend the good work done by Central Bee Research Institute, Pune, in regard to Beekeeping and honey. It fully deserves the international recognition it has received. It must be remembered that the documentation service will be incomplete if it restricts itself to production processes or equipment. It should also cover products which have entered the life of the village and which can be made by the village artisan with or without some modification of his technique, raw-material or process. Changes in agricultural implements that have come to be adopted as a result of the new agricultural technology and improvements to the ubiquitous bullock cart which can trigger new opportunities for the village carpenters and blacksmiths are some of the examples that deserve to be noted by the Directorate of Science and Technology.

7.16 The responsibility for identification of the problems of various industries in the field should naturally rest with the concerned Industry Directors who should, on the basis of feed-back received from the field, present the problem to the Sub-Committee concerned with the industry. The next stage would be the formulation of a suitable research project on the line indicated by the sub-Committee. The proposal may thereafter be considered by the Central Advisory Committee for allocation of resources and inclusion in the year's programme. Common problems, if any, can be referred to the Central Advisory Committee direct for advice. The diagram at Annexe IV shows the suggested procedures for processing of Science and Technology Proposals. The Central Committee will indicate the modus operandi for implementation of the project, the institutional infrastructure required, technical personnel necessary, approximate cost estimate, the man months required for its completion and the possible advantages of the research project etc. Once the proposal is cleared by the Central Committee, sanction formalities must be completed expeditiously. It should not be held up in the name of financial scrutiny as has happened in some cases in the past. Directorate of S&T should ensure that the comments of all concerned departments including finance are obtained and placed before the Central Committee while seeking its approval.

7.17 Once the project is given for implementation, the role of Industry Director, in a sense, comes to an end and the responsibility of Director S&T begins. Thereafter, the progress of the project has to be observed, supervised and monitored by the Directorate of S&T, subject to the guidance of the Central Committee. It is part of the responsibility of the Director, S&T to ensure that the head of the research institution implementing the project does enjoy operational freedom within the approved budget and guidelines. The Directorate of S&T should organise seminars, workshops as well as Saranjam Sammelans from time to time. In the past, composite Saranjam Sammelans for several industries were organised, the first in 1968 at Rajkot, the second in 1972 at New Delhi and the third in 1983 again at New Delhi. We have expressed our appreciation of the Saranjam Sammelans earlier. However, we feel that these Sammelans should be organised at shorter intervals say once in three years and in different parts of the country so as to widen the participation and to involve the engineering talent of the country in manufacturing and popularising the tools of appropriate technology for the KVI sector. For attending to these tasks the Directorate will have to be strengthened in terms of number as well as quality. In this context we support the application of the principles enunciated by Secretary, Department of Science and Technology in his letter No. DST/MS/1(45)/82 dated 14th November, 1983 regarding flexible complementing scheme for Scientific posts under which the scientists are considered for promotion to the next higher grade after a prescribed period of service on the basis of merit and ability irrespective of the occurrence of vacancy in the higher grade.

7.18 There is an urgent need to develop new types of tools, equipment and machines. Similarly, arrangements will have to be made for their supply to the beneficiaries. For this purpose, KVIC may have to create new institutions or develop the existing ones for undertaking the manufacture of new items. In certain cases, it can identify the local manufacturers on a regional basis. Once the manufacturers are identified, they should be linked with the research institutes concerned for guidance. At present, there is no linkage between the manufacturers on the one hand and research institutes on the other.

7.19 We consider that KVIC should encourage persons, artisans in particular, who have conducted experiments on new equipment. They should be linked with research institutes for conducting field trials. The results of field trials should be evaluated carefully by KVIC with reference to productivity, financial implications etc. KVIC may, thereafter, take a decision about the adoption of that equipment. In any case, every new tool, equipment or machine should be tested on pilot basis before it is adopted on a wide scale. There should also be mechanism for continuous evaluation of the equipment.

7.20 Our attention has been drawn to Rule No. 27(3)(h) framed under KVIC Act which provides that an individual or an institution engaged in research in KVI can be sanctioned a grant not exceeding Rs. 5,000 and Rs. 50,000 respectively in any one case and that the ceiling can be exceeded only with the prior approval of Government of India. We consider this a restrictive provision. The limit needs to be revised in the context of the

changed situation. Also, we do not see any need for prior approval of Government of such petty matters. We recommend that all proposals recommended by the Central Committee on S&T should be invariably sanctioned by the KVIC. Considering that sponsored research has by and large been found to be less costly and more rewarding than departmental research, everything must be done to involve more and more individuals and technical institutes in this task.

7.21 Experience has shown that it takes considerable time for the improved technology to travel from the laboratory to the field and to gain wide acceptance. We believe that readiness of artisans to adopt the new technology will depend in the ultimate analysis on his perception of the impact it is likely to have on his life style. It is not enough that it reduces the drudgery of his occupation. It has to improve his earnings to a level which is comparatively higher than that resulting from the alternative available to him. In other words, he must perceive that his products will become increasingly saleable. The new technology must be seen to be capable for producing marketable goods. Research must therefore, pay attention not only to the production process but also to the finishing, packaging, quality and other marketing aspects of the products.

7.22 Obviously, several constraints come in the way of rapid spread of new technology. KVIC will have to study the nature and magnitude of the constraints in each case and devise a package approach for overcoming them. Extension, training, economic incentives, reliable servicing facilities and technical backup in the initial period are some of the important elements of this approach.

TABLE 1 (Para 7.1)

RESEARCH CENTRES AND INSTITUTIONS OF KVIC

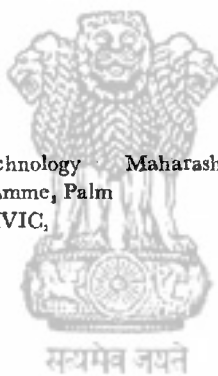
Sr. No.	Name of the Industry	Name of the Centre, Institution and Location	State	Year of establishment	Functions
1	2	3	4	5	6
1.	Cottage Match Fire Works and Agarbatti Industry, Bombay	(i) Technical Extension Centre, Central Marketing Depot, Khadi and V.I. Commission 2nd Lancer, M.D. Lines, Hyderabad-9.	Andhra Pradesh	1975-76	With a view to extend better Technical guidance to the Match Units, the Technical extension centres were set up along with Mini Laboratories for Matches testing where there are concentration of Match Units. These centres will work on the problems faced by the Match Units regarding manufacturing process, find out solu-
		(ii) Technical Extension Centre, Central Marketing Depot, Khadi and V.I. Commission Opp. Milk Plant, Baldevnagar, Ambala City.	Haryana	1975-76	

1	2	3	4	5	6
(iii)	Technical Extension Centre, C/o. National Educational Society, Balraj Urs Road, Shimoga-577 201.	Karnataka	1979-80	tion for the production of matches on trial basis, with modified process and achieving success, the modified process will be given to the units for work.	
(iv)	Technical Extension Centre, Central Marketing Depot, Seva Kutir, Poor's Home, Kingsway Camp, Delhi-110 002.	New Delhi	1979-80	—do—	
(v)	Technical Extension Centre, Match Supervisory Training Centre, Saghan Kshetra Vikas Samiti, Sewapuri (Varanasi)	Uttar Pradesh	1976-77	—do—	
(vi)	Testing Quality Control and Standardisation Centre, Dahanu, Dist. Thane.	Maharashtra	1975-76	For conducting physical, chemical testing of finished products manufactured by Match Units, for testing of all Raw Materials, Chemicals and update the standards prescribed for different varieties of matches and develop new products and improvement of process of Match manufacture.	
(vii)	Refresher course training testing, Quality Control and Standardisation Centre, Dahanu, Dist. Thane.	Maharashtra	1979-80	To impart refresher training for our regular staff and Managers sponsored by the State Boards, Institution and Societies in Cottage Match/Agarbattis for technical improvement and testing of Matches.	
(viii)	Pilot Agarbatti Project, Testing Quality Control and Standardisation Centre, Dahanu, Dist. Thane.	Maharashtra	1979-80	For formulation of new products and to study the cost structures, wages, raw materials, marketing as well as to introduce the suitable scheme for development of Agarbatti Industry and allied products.	

1	2	3	4	5	6
2. Non-edible Oils and Soap	(i) Non-edible Oils and Soap Training Centre and Regional Analytical Laboratory, Gram Nirman Mandal Gramodyog Samiti, Jaiprakash Nagar, P.O. Buniadganj-823 003.	Bihar	1973	Training and Analysis	
	(ii) Project I Divising Suitable Seed Drier for minor non-edible oil seeds unit (S&T) P.O. Valakam-691 532. Dist. Quilon.	Kerala	1978	Divising Projects.	
	(iii) Regional Analytical Laboratory, Zonal Training Centre Nadathara, Trichur.	Kerala	1973	Analysis	
	(iv) Central Quality Control Laboratory, Trymbak Vidya Mandir, Nasik.	Maharashtra	1973	Quality Testing	
	(v) NEO and Soap Training-cum-Demonstration-cum-Production Centre and Regional Analytical Laboratory, KVIC, Gandhi Darshan, Rajghat, New Delhi-110 002.	New Delhi	1973	Training and Analysis	
	(vi) Regional Analytical Laboratory, Near Polo Victory Cinema, Station Road, Jaipur.	Rajasthan	1973	Analysis.	
	(vii) Development Research on Utilisation of Lipid, Lipid associates and seed meal of minor and non-edible oil seeds. Jammalal Bajaj Central Research Institute, Maganwadi, Wardha-442 001.	Maharashtra	1975	Project.	
3. Lime Manufacturing	(i) Technical Extension Service Centre, KVIC, Arpookara (East.) Kottayam-686 008.	Kerala	1964	Technical Extension Service.	

1	2	3	4	5	6
	(ii)	Central Quality Control Laboratory, Jammalal Bajaj Central Research Institute, KVIC, Maganwadi, Wardha-442 001.	Maharashtra	1965	Quality Testing.
	(iii)	Technical Extension Service Centre, KVIC, Mohol, Dist. Sholapur-413 213.	Maharashtra	1963	Technical Extension Service
	(iv)	Technical Extension Service Centre, KVIC New Sahasradhara Road, Adhoiwali, Dehradun-248 001.	U.P.	1964	Technical Extension Service
	(v)	Technical Extension Service Centre, KVIC, Dhantola Village, P.O. Fulbanihat, Dist. Jalpaiguri.	W.B.	1982	Technical Extension Service
4. Handmade Paper	(i)	Experimental Tribal Training Centre, KVIC, At and P.O. Lonavala (C. Rly.)	Maharashtra	1984-85	Imparting artisan training to tribals in the manufacture of Handmade Paper.
	(ii)	Handmade Paper-cum-extension Centre, KVIC, JBCRI, Campus, Maganwadi, Wardha-442 001.	Maharashtra	1984-85	To conduct pilot trials on the manufacture of Board from banana and other agro-wastes, demonstration and extension on different varieties besides artisan, field training and refresher course
	(iii)	Handmade Paper Research Project (S & T) Cellulose and Paper Branch, Forest Research Institute, P.O. New Forest, Dehradun 248 006.	Uttar Pradesh	1984-85	Manufacture of pulp and Paper from agricultural residues and develop appropriate technology for adoption under KVIC.
	(iv)	Experimental Handmade Paper Unit, Khadi and V.I. Commission, At and P.O. Kanwali, Dehradun 248 001.	Uttar Pradesh	1983-84	Experiments-cum-production of decorative paper from bast fibres and artisan training under Trysem.

1	2	3	4	5	6
5. Palm Gur	(i) Palm Gur Extension Centre KVIC, Alathur P.O. Palghat Dist. Kerala and Sub Centre at Parssala in Trivandrum Dist.	Kerala	1979	(i) To conduct field demonstration in improved Technology by organising artisans camps at the production centres	
				(ii) To conduct Training in Palm Leaf articles making and palm fibre brush making.	
				(iii) To conduct demonstration through local exhibitions and make propaganda of the improved tools and equipment.	
				(iv) To attend marketing work on a small scale with no loss no profit basis.	
	(ii) Science and Technology Research Programme, Palm Gur Industry, KVIC, Dahanu.	Maharashtra	1978	Under S&T programme project was approved to conduct study in clarification and preservation of palm juice, this project was implemented from 78 to 83 and it is discontinued w.e.f. 31-3-1983. However, a Demonstration-cum-Training Centre is functioning at the above said premises since 1974 and attending demonstration work as well as conducting model Neera Catering at the Town under Trading Scheme.	
	(iii) Central Palm Gur and Palm Products Institute, 8, Telephone Colony, Mill Colony, Post-Madras-51.	Tamil Nadu	1974	(i) The CPGR, PPI is a Central level training centre for the palm gur industry for conducting training in the higher level Technology.	



1	2	3	4	5	6
					(ii) To attend lab scale research work and also to conduct studies in applied Technology and problems of the industry. (iii) To conduct field demonstration of improved tools and equipment among the artisans/Technical Staff. (iv) Arrange to publish Technical Bulletin etc. (v) To conduct marketing work on small scale basis to study the consumer taste and reaction on palm products
6. Village Pottery	(i) Central Village Pottery Institute P.O. Khanapur 591 302 Dist. Belgaum.	Karnataka	1954		(i) Conducting training in different courses including refresher courses. (ii) Undertaking Research and Experiments. (iii) Rendering Service Facilities. (iv) Arranging manufacture and supply of improved equipment, like potter's wheels, moulds etc. (v) Running pilot production units. (vi) Maintaining Public Relations and (vii) Guiding the Regional Pottery Training Centre in conducting training.



1	2	3	4	5	6
	(ii)	Design Development Centre Kora Kendra, Shimpoli Road, Borivli (W), Bombay-400 092.	Maharashtra	1960	The main activities of the centres are to arrange new designs and demonstration for the benefit of local potters, exhibitions in schools, special demonstration wherever regular demonstrating squads are not available.
7. Beekeeping		Central Bee Research Institute, Khadi and V.I. Commission, 1153, Ganeshkhind Road, Pune-411 016.	Maharashtra	1962	Training in Higher Apiarist Course in post graduates and Research Co-ordinated programme of ICAR and other Indian Universities.
8. Khadi		Research Development Section (Khadi) KVIC, Harijan Ashram Ahmedabad-300 013.	Gujarat	—	Research.
9. Gobar Gas		Gobar Gas Research and Deve- lopment Centre, KVIC, Kora Kendra, Borivli (West), Bombay-400 092.	Maharashtra	1962-63	Research.
10. Silk		Silk Khadi Research Centre (S&T) KVIC, J. P. Lane, Pura- tuli, Malda-732 101.	West Bengal	1977	Research and experiment in reeled silk.

TABLE 2 (Para 7.3)

**SCIENCE AND TECHNOLOGY PROJECTS RECOMMENDED BY NCST PANEL AND
TAKEN UP IN FIFTH AND SIXTH PLAN**

Sr. No.	Name of Industry	Name of the Project	Name of Institution entrusted with project	Year of start	Year Completed/ Discontinued	Remarks
1	2	3	4	5	6	7
1.	NEO Soap Industry	(i) Devising suitable seed driers and decorticator and other seed processing units for minor oilseeds.	Valacum, Kerala	April, 1978	March, 1982	Temporarily discontinued.
		(ii) Development Research on utilisation of lipid associates, lipids and seed meals of minor and non-edible oilseeds.	JBCRI, Wardha	April, 1976	March, 1987	Continuing.
		(iii) Improved methods of the refining of tree borne oils with special reference to those used in toilet and laundry soap.	Nasik	1985-86	1987-88	Under implementation.
2.	Leather Industry	(i) Designing and fabrication of dry rendering plant.	PBKK, Kalyani	October, 1977	March, 1981	Completed.
		(ii) Designing and fabrication of small hot plating machine.	JBCRI, Wardha	October, 1977	March, 1981	Completed.
		(iii) Designing and fabrication of suitable kiln for conversion of bones into bone-ash.	JBCRI, Wardha	October, 1977	March, 1981	Discontinued.
		(iv) Designing and fabrication of small stitching appliance for raw hides.	JBCRI, Wardha	October, 1977	March, 1981	Discontinued.
		(v) To establish a leather servicing and designing unit for footwear and leather.	—	April 1979	March, 1983	Did not start.
3.	Village Oil Industry	(i) Design suitable simple equipment to improve the efficiency of oil crushing.	JBCRI, Wardha	April, 1976	March, 1981	Completed.

1	2	3	4	5	6	7
		(ii) To improve the process of extraction in power ghani by optimising the operative conditions.	JBCRI, Wardha	1985-86	1986-87	Continuing.
4. Beekeeping Industry	(i)	Improvement in the performance of Indian Honey Bee.	CBRI, Pune	19-3-76	March, 1982	Completed.
	(ii)	Assessment of the utility of Indian Honey Bees in increasing crop yields and quality.	CBRI, Pune	19-3-76	March, 1982	Completed.
	(iii)	Bee plant test garden and nursery.	CBRI, Pune	19-3-76	March, 1982	Completed.
	(iv)	Exploitation of flora in inaccessible forest and economising management expenses.	CBRI, Pune	19-3-76	March, 1982	Completed.
	(v)	Criterion for distinguishing extracted apiary honey and quality control of the bee products.	CBRI, Pune	15-3-76	March, 1982	Completed.
	(vi)	Improvement in the efficiency of beekeeping.	CBRI, Pune	1-4-82	31-3-85	Under implementation.
	(vii)	Bee-pollination and bee plant propagation.	CBRI, Pune	1-4-82	31-3-85	Under implementation
	(viii)	Chemistry, Quality Control and Processing of bee products.	CBRI, Pune	1-4-82	31-3-85	Under implementation.
	(ix)	Rock-bee surveys.	CBRI, Pune	1-4-82	31-3-85	Completed.
5. Lime Industry	(i)	Manufacturing of cementing material out of Kankar.	Mohol	1976	March, 1980	Yet to start.
	(ii)	Substitution of cement by lime for making irrigation pipes, tiles etc.	JBCRI, Wardha	November, 1979	March, 1982	Discontinued.
	(iii)	To evolve and standardise various types of kiln designs.	Mohol	September, 1978	---	Discontinued.

1	2	3	4	5	6	7
6. Pottery Industry	(i)	Designing small and efficient pugmill for common clay.	JBCRI, Wardha	1979-80	31-3-81	Did not start.
	(ii)	Design of efficient pottery kilns and development of pipe making.	JBCRI, Wardha	1976-77	31-3-81	Completed.
	(iii)	Evolving the techniques for production of high quality flooring tiles, fine gray ones impervious to water.	CVPI, Khanapur	1979-80	31-3-81	Completed.
	(iv)	Field trials on improved type of kilns for the traditional village pottery work and standardisation of the same.	CVPI, Khanapur	1985-86	1987-88	Under implementation.
	(v)	Evolving suitable frit kiln and formulation of different fritted glazes suitable to be applied on red clay fritted low temperature.	CVPI, Khanapur	1985-86	1988-89	Under implementation.
	(vi)	Standardisation of improved equipment and tools for village potters.	CVPI, Khanapur	1985-86	1988-89	Under implementation.
	(vii)	Demonstration and field trials for introduction of earthen pipes for minor irrigation as well as for drainage of surplus water from water logged areas and also saline water.	CVPI, Khanapur	1985-86	1989-90	Under implementation.
7. Palm Gur Industry	(i)	Design of an efficient boiling and crystallising equipment for palm candy.	Central Palmgur Inst. Madhavaram	April, 1976	March, 1981	Completed.
	(ii)	Studies on the aspects of preservation and clarification of palm juice.	Dahanu	July, 1977	March, 1981	Discontinued.
	(iii)	Standardisation of an economically viable palm sugar unit.	Madhavaram	1979-80	March, 1986	Completed.

1	3	3	4	5	6	7
8. Gur and Khandsari Industry	(i)	Development of extrusion principles for juice extraction from sugarcane.	NSI, Kanpur	December, 1976	March, 1981	Discontinued.
	(ii)	Improvement in existing bullock driven crusher or low capacity power driven crusher by incorporating cane preparatory device etc.	Krishi Yantra Udyog, Kanpur	November, 1977	March, 1987	Under implementation.
9. Processing of Cereals, Pulses and Masalas	(i)	Evaluation of quality control testing and control measures and techniques for the machinery and implements.	JBCRI, Wardha	1984	1983-84 to 1984-85	Not yet started.
	(ii)	Development of rubber roller power paddy processing sheller.	Dahanu	1978-79	1986-87	Under field trials.
	(iii)	Improvement of hand operated implements for PCP Industry.	JBCRI, Wardha	August, 1978	31-3-81	Discontinued.
	(iv)	Fabrication of composite units of paddy dehusker from winnower.	JBCRI, Wardha	2 years	1983-84 to 1984-85	Yet to start.
	(v)	Evaluation and modification of hand operated Atta Chakki employing mechanical system of power transmission.	JBCRI, Wardha	1985-86	—	Under implementation.
	(vi)	To evolve and select suitable solar drier for paddy demoi-sturising, working of solar radiation.	JBCRI, Wardha	1 year	1985-86	Under implementation.
10. Handmade Paper Industry	(i)	To fabricate a suitable machine for drying and finishing of Handmade paper.	JBCRI, Wardha	1978-79	March, 1982	Discontinued.
	(ii)	Manufacture of pulp and paper from agro-waste.	Dehradun	1983-84	1987-88	Under implementation
	(iii)	Demonstration-cum-extension centre.	JBCRI, Wardha	1984-85	1987-88	Discontinued.

1	2	3	4	5	6	7
11.	M.D. Workshop, Wardha	(i) Development of R&D Multi Disciplinary Workshop.	JBCRI, Wardha	Continuous	Continuous	Continuing.
12.	Cottage Match Industry	(i) Formulation of chemical composition of tips and side paint.	Borivli	1977-78	31-3-81	Discontinued.
		(ii) Manufacture of booklet matches under the cottage sector so long being considered not possible without using automatic machine and introduction of the same in the field.	—	1977-78	31-3-81	Discontinued.
		(iii) Design Development Centre for non-mechanised match unit.	—	1977-78	31-3-81	Discontinued.
		(iv) Treatment of dry veneers for making it suitable for making boxes with machine for increasing productivity and improving the quality of boxes.	—	1977-78	31-3-81	Discontinued.
		(v) Block making unit being a part of design development centre not included in the original scheme.	Borivli	1977-78	31-3-81	Discontinued.
13.	Khadi Wool	(i) Experiments to be conducted on semi-automatic looms and hosiery machine.	—	December, 1979	March, 1982	Did not start.
		(ii) To devise the implement and to modify the processes adopted in organised sector to be adopted in woollen khadi for shrink resistance treatment of woollen khadi goods.	—	December, 1979	1981-82	Did not start.
		(iii) To devise spinning implement for spinning woollen yarn and out of wool tops carded wool and hilly wool.	—	January 1978	31-3-81	Completed.

1	2	3	4	5	6	7
		(iv) The production of barrack blankets with single warp and weft.	—	Decem-ber, 1979	March, 1982	Did not start.
		(v) Introduction of pipe tubbed carpet production in woollen khadi.	—	Decem-ber, 1979	March, 1982	Did not start.
14. Khadi Silk and Muslin	(i)	Waste silk spinning and weaving project, Wardha	DREET, Wardha	1976-77	1980-81	Discontinued.
	(ii)	Silk reeling and training project, Malda (W.B.).	Malda	1976-77	1980-81	Discontinued.
	(iii)	Endi and Muga Project, Assam.	Malda	1976-77	1980-81	Discontinued
	(iv)	Modification of preproces-sing and spinning equip-ment of muslin khadi.	—	February, 1977	1980-81	Discontinued.
	(v)	Experimentation and modi-fication of scutcher and pre-processing materials for muslin spinning.	Malda	1979-80	31-3-81	Discontinued.
	(vi)	Experimental spinning and weaving of over 250°.	—	1979-80	31-3-81	Discontinued.
	(vii)	To evolve suitable method for mixing endi and ramie for spinning and weaving.	—	1979-80	31-3-81	Discontinued.
	(viii)	Modification of waste silk equipment for spinning and weaving of all varieties of waste silk and endi.	Bangalore ZTC, KVIC	1981-82	1988-89	Under implementation.
	(ix)	Evolving improved imple-ments for reeling and wea-ving of different types of reelable silk and codifying different processes.	Malda	1981-82	1988-89	Under implementation.
	(x)	Revival of Dhaka muslin and experimental spinning.	—	1981-82	1988-89	Not started.

1	2	3	4	5	6	7
15. Khadi Dyeing and Printing	(i)	Establishment of laboratory to carrying out research and experiments etc. in dyeing, printing and finishing departmentally.	Bombay	April, 1977	Continuous	Under implementation.
	(ii)	Experiments in yarn mercerisation machine and process suitable for khadi fabrics.	Bombay	April, 1977	Continuous	Completed.
	(iii)	Experiment in wash-n-wear including other finishing processes.	Bombay	April, 1979	Continuous	Did not start.
	(iv)	Experiments in reactive dyeing and dyes and printing.	Bombay	December, 1979	Continuous	Did not start.
	(v)	Experiments in pigment dyeing and printing process scientifically and economically.	Bombay	December, 1979	Continuous	Did not start.
16. Cotton Khadi	(i)	To design a twisting machine for handspun yarn.	Prayog Samiti, Ahmedabad	1-4-83	31-3-85	Completed.
	(ii)	Standardisation of khadi pattern.	Prayog Samiti Ahmedabad	1-4-83	31-3-88	Under implementation.
17. Fibre		Improvement in the design of charkha and looms for batara making.	Karnataka Khadi Gramodyog Sangh, Hubli	1983	31-10-86	Under implementation.
18. Palm Gur		Development of process for utilisation for palm gur non-traditional products like canning, syrup, vinegar.	Madras	1983	1985-86	Not started.

Sponsored Projects

I. Shri Ram Inst., New Delhi	(i)	To improve softness of Indian wool by chemical modification through chemical processing and polymerisation technique.	Shri Ram Inst. New Delhi	1983-84	1984-85	Completed.
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1	2	3	4	5	6	7
	(ii)	Exploring the possibilities of reduction of polyester content in polyester khadi fabrics without sacrificing functional and wearing characteristics.	Shri Ram Inst. New Delhi	1983-84	1986-87	Under implementation.
II.	Nimbkar Agricultural Inst.	Shelf life of post application stability insecticide formulation based on Neem products.	Nimbkar Phaltan	1983-84	1986-87	Under implementation.
III.	Dept. of applied Chemistry, Calcutta, University	Utilisation of non-edible oil-seeds and oils.	Calcutta	1983-84	1985-86	Under implementation.
IV.	Forest Based Industry	To fabricate mini rosin manufacturing unit through State Director, Haldwani	Haldwani	1985-86	1986-87	Under implementation.
V.	Indian Inst. of Technology	Sal fat enzymatic splitting and removal of tanning chlorophyll.	IIT, Bombay	1985-86	1986-87	Under implementation.

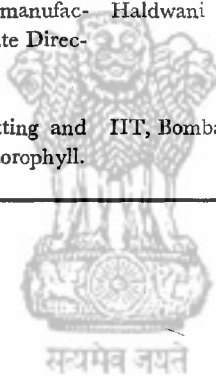
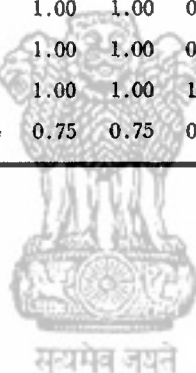


TABLE 3 (Para 7.5)

SCIENCE AND TECHNOLOGY FUNDS*(Rs. in crores)*

Year	KHADI				VILLAGE INDUSTRIES				TOTAL KHADI AND V.I.			
	Propo- sed by KVIC (RE)	Annual Plan Allo- cation	Actual Relea- ses	Dis- bursed by KVIC	Propo- sed by KVIC (RE)	Annual Plan Allo- cation	Actual Relea- ses	Dis- bursed by KVIC	Propo- sed by KVIC (RE)	Annual Plan Allo- cation	Actual Relea- ses	Dis- bursed by KVIC
1976-77	0.06	0.06	0.06	0.06	0.37	0.13	0.13	0.13	0.43	0.19	0.19	0.19
1977-78	0.10	N.A.	N.A.	N.A.	0.30	N.A.	N.A.	0.25	0.40	0.40	0.40	0.25
1978-79	0.11	0.11	0.11	0.10	0.79	0.62	0.62	0.37	0.89	0.73	0.73	0.47
1979-80	0.19	0.19	0.19	0.19	1.32	0.69	0.69	0.69	1.51	0.88	0.88	0.88
1980-81	0.21	0.44	0.44	0.05	1.04	0.44	0.44	0.37	1.25	0.88	0.88	0.42
1981-82	0.50	0.50	0.50	0.17	1.50	0.50	0.50	0.09	2.00	1.00	1.00	0.26
1982-83	0.50	0.50	0.34	0.01	1.00	1.00	0.75	0.57	1.50	1.50	1.09	0.58
1983-84	0.50	0.50	0.37	0.01	1.00	1.00	0.75	0.35	1.50	1.50	1.12	0.36
1984-85	0.50	0.50	0.50	—	1.00	1.00	1.00	0.15	1.50	1.50	1.50	0.15
1985-86	0.25	0.25	0.25	0.04	0.75	0.75	0.75	0.36	1.00	1.00	1.00	0.40

N.A. : Not Available.



ANNEXE - I (Para 7.9)

No. A-12034/16/83-E. III

Government of India

Ministry of Industry

Department of Industrial Development

New Delhi, the 24th January, 1984.

OFFICE MEMORANDUM

Subject : **Flexible Complementing Scheme for Scientific Posts - reg.**

The undersigned is directed to forward herewith a copy of D.O. letter No. DST/MS/1 (45)/82 dated 14-11-83 from the Secretary, DST to Secretary (ID) on the subject mentioned above, for information and necessary action. Due proposals drawn up in the light of the criteria and guidelines/norms laid down by the Deptt. of Science & Technology for the introduction of the system in organisations/institutions to be **identified as Science Department/organisations / institutions** may please be sent to the concerned administrative sections in this Department for further processing. Progress made in this regard may please be reported, on quarterly basis, to the concerned administrative section in this Department. The first quarterly report for the quarter ending on 31-3-1984 may please be sent by 5-4-1984.

2. In this connection the Deptt. of Science & Technology have clarified that the above guidelines have been issued by them after obtaining the approval of Deptt. of Personnel & Administrative Reforms, in consultation with Ministry of Finance and as such the embargo on consideration of matters relating to revision of pay and allowances, conditions of service, grade, structure, etc. laid down by the Ministry of Finance vide their D. O. letter No.-F-1 (6)-PC/83 dated 24th March, 1983 (circulated under this Department's O. M. No. G-12011/1/83- E-III dated 8-4-83) will not apply to the introduction of this scheme. That Department have added that the scheme had to be introduced in individual Deptts. only with the concurrence of Ministry of Finance, DP & AR and UPSC.

Sd/-

(E. V. L. Prasada Rao)

Under Secretary to the Govt. of India
Tel. No. 376639

To

1. All attached/subordinate offices
2. All Autonomous organisations
Copy (with spare copies) for
information and necessary action to :—

1. E. IV Section (in respect of DGTD Deptt. of Explosives, Salt Commissioner, Trade Mark Registry, Patent Office, Office of Economic Adviser and BICP)
 2. Cement Desk (i/r.o. Cement Controller's organisation and CRI).
 3. ICC (i/r.o. Coir Board and NFIC)
 4. KVI-II (i/r.o. KVIC)
 5. PP&C (i/r.o. NPC and NID)
 6. DC, SSI (Tool Room Division) (i/r.o. ITI and autonomous organisation under the administrative control of DC, SSI)
 7. Consumer Ind. Desk. (i/r.o. Indian Plywood Industries Research Institute)
 8. Paper (i/r.o. Central Pulp and Paper Res. Instt.)
 9. L. R. (i/r.o. Indian Rubber Manufacturers Res. Assn. Thane)
 10. Copy for information to Finance I and Finance II Desks.
 11. PS Cell - for such action as they deem necessary in respect of public sector enterprises.
1. The proposals received from the organisations may please be processed by them. For any clarification, the Deptt. of S & T (Sh. Vinay Shankar, JS may be consulted).
 2. For the purpose of identification of the particular institution / Deptt. / organisation as a S & T institute they may like to consult the Deptt. of S & T.
 3. They are also requested to send quarterly reports commencing from 1-1-84 of progress made in framing and processing the proposals in introducing Flexible Complementing Scheme in the organisations with which they are administratively concerned, by 5th of the following month for onward transmission to Deptt. of Science & Technology. The first report for the period ending 31-3-84 may please be sent by 5-4-84.

Sd/-

(E. V. L. Prasada Rao)

Under Secretary to the Govt. of India.

Copy of confidential D. O. letter No. DST/MS/1(45)/82 dated the 14th November 1983 from Shri S. Varadarajan, Secretary and addressed to Shri S. K. Bhatnagar, Secretary, Department of Industrial Development.

FLEXIBLE COMPLEMENTING SCHEME FOR SCIENTIFIC POST

The principle of Flexible Complementing Scheme under which the scientists are considered for promotion from one grade to next higher grade after a prescribed period of service on the basis of merit and ability irrespective of the occurrence of vacancy in the higher grade had been accepted by the Third Pay Commission. However, it was introduced only in some of the Departments/Organisations like the CSIR, ICAR, DRDO, Department of Space, Department of Atomic Energy and IMD and was not introduced in a large number of institutions/organisations under the Government. Science Advisory Committee to the Cabinet (SACC), while considering the personnel policies for S & T personnel, amongst several issues had considered this matter also and had taken the initiative so that guidelines could be issued by the Government for introducing the scheme in all scientific organisations/institutions of the Government.

The Government have now approved and issued guidelines/norms for the introduction of Flexible Complementing Scheme in scientific departments/organisations/institutions under the Government of India, copy of which is enclosed. I would, therefore, request you that proposals for introduction of this scheme in organisations/institutions under your Department may kindly be framed and processed with as given in paragraph 2 of the guidelines. I shall be grateful if you would kindly send to me quarterly reports beginning from 1-10-1983 of the progress made in framing and processing the proposal of introducing the Scheme of Flexible Complementing in your department/institution/organisation so that a report can be presented to the SACC. According to the information available with us, this Scheme is to be introduced in the Departments/Institutions/Organisations given in the enclosed list. If there are any other scientific institutions/organisation which are not mentioned in the list, action to introduce this scheme in them also may be taken. In this connection, you may wish to consider the criteria which were endorsed by SACC for indentifying the S & T institutions.

For any clarifications, regarding the guidelines/procedure, Shri Vinay Shankar, Joint Secretary, DST may kindly be consulted.

Kindly acknowledge receipt of this letter.

Note for kind attention :

The enclosed guidelines envisage consultation with UPSC. The organisations which are not under the purview of UPSC may kindly consider the adoption of the "Flexible Complementing Scheme" in accordance with their own administrative procedure.

Guidelines/norms for the introduction of flexible complementing scheme in Scientific Departments/Organisations under the Government of India.

(1) The flexible complementing scheme, as recommended by the Third Pay Commission, seems to ensure that promotion of an officer in scientific service from one grade to next higher grade takes place after a prescribed period of service on the basis of merit and ability irrespective of the occurrence of vacancy in the higher grade.

(2) The Scheme is applicable to Group 'A' services/Cadres in Scientific Departments under Government of India. The Scheme may be introduced in individual Departments with the concurrence of the Ministry of Finance, Department of Personnel and Administrative Reforms and UPSC.

(3) ordinarily, the scheme applies to three levels viz. (a) S-I Rs. 700-1300 (b) S-II Rs. 1100-1600 and (c) S-III Rs. 1500-2000. In very exceptional cases, the scheme may be extended to the next higher level, viz., S-IV Rs. 1800-2250, on merits depending on the extent of stagnation at this level.

(4) For this purpose, the total number of posts in various grades put together is to be determined on the basis of functional requirements. These posts are allocated to the various grades in the normal course for the purpose of initial recruitment or induction.

(5) As between S-I and S-II, there will be complete inter-changeability without any restriction except that the total number of incumbents should not exceed the total number of posts S-I and S-II put together. For this purpose, the total number of posts will be fixed for S-I and S-II together and the Department will be free to vary the individual numbers in the junior and senior scales so as to ensure promotion of an officer from junior scale to senior scale after putting in the prescribed number of years of service in the former.

(6) The upward movement to S-III level will be, by and large without reference to the availability of vacancies subject to an overall rider that the total number of posts so filled in S-III level under this scheme should not exceed 30% of the total number of posts in S-I, S-II and S-III put together.

(7) In cases where the scheme is extended to S-IV level also, the total number of posts that may be filled in S-IV under this scheme is subject to a further overall ceiling of 30% of the posts in S-III and S-IV put together.

(8) Promotions under the scheme will be made on the basis of five-yearly assessment of eligible officers by a Board of assessment constituted for the purpose. The Board would make an assessment of technical performance both in terms of quantity and quality of research or other output and also interview the candidates for this purpose.

(9) Promotions under the scheme will be in situ and personnel to the officer concerned and would not result in specific vacancy in the lower grade on that account. The post being currently held by the concerned officer will be upgraded for the duration of his stay in the promotion post. The post will revert to the original level once the officer vacates the higher post.

(10) The operation of the scheme should be reviewed once in every three years in consultation with the DP & AR (PP Wing) and Ministry of Finance to ensure that no structural distortions result from the operation of the Scheme.

II. Institutions having Commission Status and those registered as Societies and Autonomous Institutions.

- *1. Department of Atomic Energy (R & D) & institutions under it.
- *2. Department of Space and S & T institutions under it.
- 3. Department of Non-conventional Energy Sources.
- 4. S & T institutions under Department of Electronics.
- *5. Council of Scientific & Industrial Research (CSIR) and institutions under it
- *6. Indian Council of Agricultural Research (ICAR) and institutions under it.
- 7. Indian Council of Medical Research (ICMR) and institutions under it.
- 8. Department of Science & Technology Aided institutions.
- 9. Ministry of Health & family welfare
 - (i) Institute of Post-graduate Medical Education and Research, Calcutta.
 - (ii) National Institute of Health & Family Welfare, New Delhi.
 - (iii) Pasteur Institute of Southern India, Conoor (Tamil Nadu).
 - (iv) All India Institute of Speech & Hearing, Mysore.
 - (v) Chittaranjan National Cancer Research Centre, Calcutta.
 - (vi) Cancer Institute, Madras.
 - (vii) International Institute of Population Studies, Bombay.
 - (viii) Institute of Research in Indigenous System of Medicine, Joginder-nagar (HP).
 - (ix) Post-graduate Institute of Medical Education & Research, Chandigarh.
 - (x) Vallabhai Patel Chest Institute, Delhi.
 - (xi) All India Institute of Medical Sciences, New Delhi.

* Flexible Complementing Scheme already introduced.

10. Ministry of Tourism & Civil Aviation
 - (i) Indian Institute of Astrophysics
 - (ii) Indian Institute of Geo-magnetism
 - (iii) Indian Institute of Tropical Meteorology
11. Department of Heavy Industry.
 - (i) Central Machine Tool Institute, Bangalore.
 - (ii) Automotive Research Association of India.
 - (iii) Welding Research Institute, Tiruchi.
 - (iv) Central Metal Forming Institute, Hyderabad.
 - (v) Corporate R&D Complex, BHEL, Hyderabad.
12. Department of Industrial Development.
 - (i) Central Pulp and Paper Research Institute.
 - (ii) Cement Research Institute of India.
 - (iii) Indian Plywood Industries Research Institute.
 - (iv) Indian Rubber Manufacturers Research Association.
 - (v) Central Coir Research Institute (Coir Board).
 - (vi) National Institute of Design, Ahmedabad.
 - (vii) S&T institutions under Khadi and Village Industries Commission.
13. Ministry of Commerce.
 - (i) Ahmedabad Textile Industries Research Association (ATIRA).
 - (ii) Bombay Textile Research Association (BTRA).
 - (iii) South India Textile Research Association (SITRA).
 - (iv) North India Textile Research Association (NITRA).
 - (v) Man Made Textile Research Association (MANTRA).
 - (vi) Silk and Art Silk Mills Research Association (SASMIRA).
 - (vii) Wool Research Association (WRA).
 - (viii) Indian Jute Industries Research Association (IJIRA).
 - (ix) Institute of Handloom Technology (under Handloom Board), Banaras, Salem and Guwahati.
 - (x) Institutes of Handicrafts Technology (under Handicraft Board).
 - (xi) Central Sericulture Research and Training Institute, Berhampur.
 - (xii) Central Sericultural Research Station, Mysore.
 - (xiii) Regional Sericultural Research Station, Pampore (Srinagar).

- (xiv) Regional Sericultural Research Station for Mulberry, Titabar.
 - (xv) Central Tasar Research Station, Ranchi.
 - (xvi) Regional Sericultural Research Station for Muga, Turukupara, Boko (Assam).
 - (xvii) Central Coffee Research Institute, Mysore (Under Coffee Board).
 - (xviii) Rubber Research Institute of India, Kottayam (Under Rubber Board).
 - (xix) UPSAI Tea Research Station, Coimbatore.
 - (xx) Bamboo and Cane Development Institute, Agartala.
14. Department of Petroleum.
Institute of Petroleum Exploration,
Institute of Drilling Technology and
Institute of Reservoir Studies under ONGC.
15. Department of Power.
Central Power Research Institute.
16. Department of Coal.
Central Mine Planning and Design Institute (a subsidiary of Coal India Ltd.)
17. Ministry of Information & Broadcasting Research Department, All India Radio.
18. Ministry of Railways.
Research, Designs and Standards Organisation (RDSO).
19. Ministry of Shipping and Transport.
(i) Optional Research Laboratory, Department of Light House and Light Ships.
(ii) Hydraulic Study Department, Calcutta.
20. Ministry of Civil Supplies.
Indian Standard Institution.
21. Ministry of Education.
(i) Indian School of Mines and Applied Geology, Dhanbad.
(ii) National Institute of Foundry and Forge Technology, Ranchi.
22. Ministry of Irrigation.
National Institute of Hydrology.
23. Department of Culture.
National Council of Science Museums.

**CRITERIA FOR IDENTIFICATION OF INSTITUTIONS/ORGANISATIONS
WHICH CAN BE CONSIDERED AS SCIENTIFIC AND TECHNOLOGICAL
INSTITUTIONS****

- (1) The institutions referred to as S&T would be characterised by pursuit of excellence.
- (2) They will be engaged in research, design development or programme implementation (including review, analysis, promotion and aspects of science policy etc.) which could cover a broad spectrum of pure and applied research but the essential feature would be innovative character and spirit of enquiry that permeates their overall functioning.
- (3) The scientific culture is characterised by a few salient aspects, namely the persons involved are highly qualified and skilled technical personnel, involved in creative and innovative activity, they are willing to be judged on the basis of merit and competence rather than on the basis of seniority and a hierarchial structure.
- (4) The criteria could cover : the aims and objectives of the institution/organisation, qualifications of the personnel, qualitative requirements for performance of various activities, etc.
- (5) The institutions/organisations to be considered as S&T could be broadly classified under the following two groups.

(i) **Research and Development**

- (a) **Basic Research**—Original investigation to gain new scientific knowledge, not necessarily directed towards and specific practical aim or application.
 - (b) **Applied Research** : Original investigation to gain new scientific or technical knowledge directed towards a specific practical aim or objective.
 - (c) **Experimental Development** : Use of scientific knowledge to produce new or substantially improved materials, devices, products, processes, systems or services.
- (ii) **S&T** : These activities are very closely linked to R&D in terms of operations, institutions and personnel and comprise of :
- (a) Scientific and technical information, data collection, testing and standardisation, feasibility studies for engineering products, specialised medical care patent and licence work.

- (b) Geological, geophysical, meteorological and natural resources survey including mapping.
- (c) Scientific activities of the museums in terms of display of exhibits and fabrication of prototypes.
- (d) Zoological and botanical gardens (floristic and faunistic surveys and research and development work relating to plant and animal sciences.)
- (e) Application of S&T for rural extension marketing and storages, inventory control and productivity enhancement, project implementation and scheduling, fabrication and construction of plant and equipment, design engineering services and technical consultancy.
- (f) Post-graduate education and research in science/agriculture and universities and equivalent levels in engineering and technology.

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ANNEXE II (Para 7.10)

LIST OF POSSIBLE R&D INSTITUTIONS FOR KVIC SUPPORT

EASTERN REGION

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|---|--|
| (i) R. K. Mission Narendrapur, | : Leather work, Silk Products, Cane Products, Fibre. |
| (ii) I.I.T. Kharagpur | : Agricultural equipment, Solar equipment. |
| (iii) Govt. Polytechnic, Berhampur, (Orissa) | : Manual/Animal-powered equipment. |
| (iv) RRL, Jorhat | : Pottery, Carpentry, Pharmacy, Lime. |
| (v) Silk Khadi Research Institute, Malda | : Silk Khadi |
| (vi) Central Glass and Ceramic Research Inst. Calcutta. | : Pottery. |
| (vii) Central Mech. Engg. Research Institute, Durgapur. | : Muscle power equipment, Instrumentation, V.I. equipment. |

NORTHERN REGION

- | | |
|--|---|
| (i) I.I.T., Delhi. | : Food, Textile Preprocess, Spinning and Weaving. |
| (ii) Gurukul Kangri University, Hardwar. | : Pharmacy. |
| (iii) C.B.R.I. Roorkee (U.P.). | : Lime Bricks, Building Materials. |
| (iv) FRI Dehradun (U.P.). | : Carpentry. |
| (v) Govt. Leather Inst. Agra. | : Leather Tanning, Leather work. |
| (vi) Govt. Leather Inst. Kanpur. | : Leather Tanning, Leather work. |
| (vii) Text. Inst., Kanpur | : Textile Weaving, Pre-processing and Weaving. |
| (viii) IERT, Allahabad | : Muscle power, Solar, Biogas, Instrumentation, Text. Spinning and Weaving. |
| (ix) Central Drug Research Institute, Lucknow. | : Pharmacy. |
| (x) Regional Research Laboratory, Jammu. | : Food Processing, V.I. equipment. |

SOUTHERN REGION

- | | |
|---|---|
| (i) Gandhigram, Madurai | : Biogas, Ayurvedic Medicines, Textiles, Pre-processing, Weaving, Soap. |
| (ii) Central Palmgur Institute, Madras. | : Confectionery, Palmgur, Palm Products. |

- | | |
|---|--|
| (iii) CFTRI, Mysore | : Food Processing, Bakery, Confectionery. |
| (iv) Central Village pottery Institute, Khanapur. | : Pottery, Lime. |
| (v) CLRI, Madras. | : Flaying, Leather Tanning and Processing. |
| (vi) NTTF, Andhra Pradesh | : Manual Power equipment, Instrumentation. |

WESTERN REGION

- | | |
|---|--|
| (i) JBCRI, Wardha. | : Pottery, Edible and Non-edible oil, muscle power equipment, soap, lime. |
| (ii) Khadigram Udyog Prayog Samiti, Ahmedabad. | : Textile, Preprocess, Spinning, Design and Weaving, Solar equipment, Biogas plants. |
| (iii) Central Bee Research, Pune. | : Bee Research, Bee-Products. |
| (iv) HMPI Institute, Pune. | : H.M.P.I. |
| (v) Neo Soap Institute, Nasik. | : Soap, non-edible oil, edible oil. |
| (vi) Kora Kendra, Bombay-400 092. | : Biogas, Match, Fibre, Khadi dyeing, printing and design, leather flaying. |
| (vii) Mohan Parikhas Institute, Baroda. | : Agricultural implements, muscle power equipment, solar equipment. |
| (viii) Central Agricultural Research Institute. | : Carpentry, Blacksmithy, V.I. equipment. |



ANNEXE' III (Para 7.13)

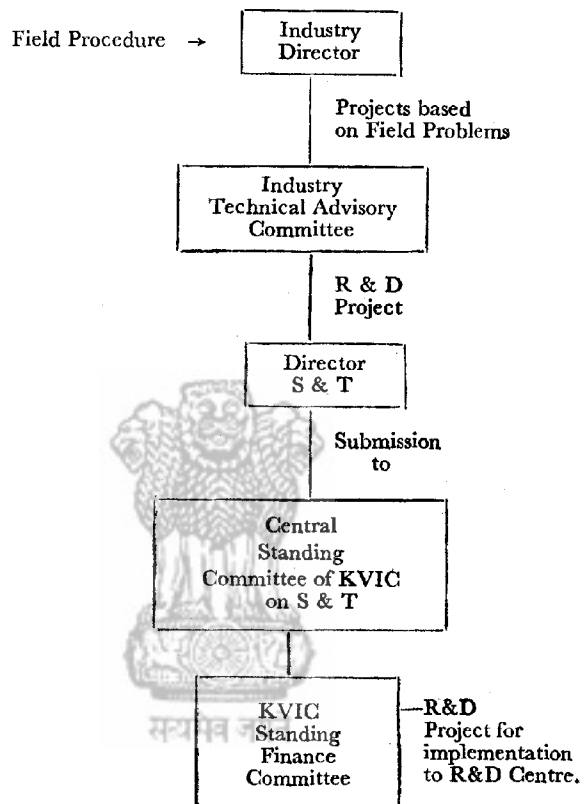
ORGANISATION CHART FOR J.B.C.R.I., WARDHA

Divisions :

1. Inorganic Chemical Technology and Ceramics division	Research Advisory Committee for JBCRI	Director JBCRI	Local D.S. S.C.	KVIC Standing Committee on Science and Technology
2. Oils, Fats and Soap division				
3. Engineering, Project engineering and design division		Directorate (S&T) in KVIC		
4. Natural fibres including pulp and paper division	Scientists 2 Nos.	Research Wing	Technical Services Wing	Administration Wing
5. Food technology, Cereals and pulses division	Head of (1) Division	Head of division	Scien- tists 2 Nos.	Establishment
6. Microbiology and Biochemistry division	Head of (2) (3) Division			
7. Fuel and Energy Division	Head of (4) (8) Division	Head of division	Administrative Officer	
8. Technological Liaison Societal interaction studies and technical consultancy	Head of (5) (10) Division	Head of division	R.A./ T.A.	Accounts
9. Organic Chemical Technology division	Head of (6) Division			Store Purchase
10. Information and documentation division	Head of (7) Division			Transport
	Head of (9) Division			Safety Security

ANNEXE IV (Para 7.16)

SUGGESTED PROCEDURE FOR PROCESSING OF SCIENCE AND TECHNOLOGY PROJECTS



CHAPTER 8

TRAINING

That training has a crucial role to play in the development of khadi and village industries sector was recognised by the All India Khadi and Village Industries Board even in 1953. It appointed a Committee "to make a survey of the arrangements then existing for training of artisans and instructors in Khadi and Village Industries in the country and to frame proposals for extension of these facilities". The Training Survey Committee (TSC) submitted its report in August 1953. As a result a Standing Training Advisory Committee and the Directorate of Training came into being in November, 1955. Subsequently, Section 15(2)(a) of the KVIC Act 1956 confirmed that one of the major functions of the KVIC shall be "to plan and organise training of persons engaged in the production of Khadi and Village Industries".

8.2 The functions of the Directorate of Training are generally as follows :

- (i) to plan and organise training programme;
- (ii) to submit proposals for opening of training centres to Standing Finance Committee (SFC) and Commission after necessary feasibility study is made;
- (iii) to design courses with reference to field requirements and frame syllabi for the same;
- (iv) to review the existing syllabi and make modifications/improvements;
- (v) to obtain information during the budget meetings about the manpower requirements from the State Boards/institutions and to train personnel accordingly;
- (vi) to ensure that training centres conduct courses properly;
- (vii) to arrange examinations;
- (viii) to arrange inspection of the training centres;
- (ix) to arrange preparation of textbooks wherever necessary;
- (x) to arrange supply of improved implements to the training centres;
- (xi) to prepare annual budget for the training programme under the purview of the Directorate, obtain budget sanction of the SFC and make allotments to the training centres/institutions;

(xii) to attend to accounts and audit matters in respect of aided training centres; and

(xiii) to attend to administrative, establishment, accounts and audit matters in respect of departmental training centres.

8.3 In all 7 incumbents held the post of Director of Training from 1955 to this date. Out of 7, four had regular training background as they belonged to the training cadre, while the remaining 3 were appointed under an ad-hoc arrangement. Of the 7, one had the longest tenure of 13 years, two from 5 to 6 years, one for about 2 years, two for about one year each and one for less than six months. In the first 19 years out of 31 years, there were only two Directors (13 and 6 years) whereas in the remaining 12 years there were as many as five Directors. It appears that after 1974, the incumbents had shorter tenure except one who functioned from 1977 to 1983. The conclusion emerges that during the last 12 years, some of the Directors either did not possess the required training background or did not last long enough to provide the necessary administrative leadership to the training programme. To add, there was no Standing Training Advisory Committee since March 1977. No wonder, the programme lost its original focus and importance.

8.4 During little more than three decades (i.e. 1953-54 to 1984-85) 7.53 lakhs of candidates are reported to have been trained in various courses (khadi 5.82 lakhs and V.I. 1.71 lakhs). Planwise break-up is given in Annexe-I. It will be seen therefrom that khadi training accounted for nearly 77 per cent, the major portion of which (60 per cent) took place in the First and Second Plans. Thereafter, there was rapid deceleration. We are informed that this was mainly due to the fact that while the adoption of "ring frame spinning technology" and the wooden ambar charkha in the earlier years was indeed a revolutionary change necessitating training on a large scale, subsequent standardisation of the equipment as New Model Charkha (NMC) and the introduction of mechanised pre-processing of cotton reduced the need for providing training on a similar scale. It is also worth noting that during 1962 to 1970 there was no active programme to distribute either the wooden ambar charkha or the New Model Charkha (NMC). During the last few years, the focus of khadi training is said to have been shifted to training of Karyakartas, weavers (new and old), marketing assistants and those engaged in Khadi processing. However, the statistics show that khadi training programme failed to catch up with the needs of expanded khadi production programme and regain its past thrust. Under Village Industries, Palmgur and Palm products accounted for the largest number of trainees. Here also, the earlier enthusiasm for training waned due to the lifting of prohibition and the cumbersome excise rules. At present, training facilities are provided under KVIC's training programme for all the industries except Fruit and Vegetable Processing and Preservation and Canning including pickles, Forest Based Industries like Katha, manufacture of Gum Resins, Shellac. The expenditure incurred and the number trained in each of the years of the Sixth Plan are given below :

Sr. No.	Year	Expenditure (Rs. lakhs)	Number trained
1.	1980-81	48.19	3,668
2.	1981-82	61.37	7,731
3.	1982-83	80.77	9,464
4.	1983-84	70.48	8,945
5.	1984-85	57.30	8,533

8.5 In August, 1979, the Government of India in the Ministry of Rural Reconstruction introduced the scheme for Training Rural Youth for Self-employment (TRYSEM). It differed from the KVIC's training programme in three important respects : (i) It covered all rural occupations including agriculture and such modern services as electrical wiring and pump repair, while KVIC's scope was limited to a few industries of the traditional kind; (ii) It was directed to the youth of the village (in the age group of 18-35) belonging to weaker sections below the poverty line, while KVIC concentrated on traditional artisans irrespective of age and income level, who are sponsored by the field institutions engaged in KVI Sector and (iii) It did not lay sufficient emphasis on the follow up after training beyond supply of tool kit of Rs. 250 per trainee, while KVIC insisted on the sponsoring institutions taking interest in the trainee and absorbing him in the production system. There were other differences on the quantum of stipends, the nature and mode of financial assistance for developing training infrastructure, the process of selection of trainees and some minor matters. However, KVIC undertook to implement TRYSEM through 76 training centres. Eleven crafts/industries were identified viz. : Khadi, Canegur and Khandsari, NEO and Soap, Village Leather, Village Pottery, Fibre, Handmade Paper, Cottage Match (Agarbatti), Lime, Carpentry and Blacksmithy. To look after TRYSEM, a separate Directorate was formed in the Head Office of KVIC. While this undoubtedly provided greater attention to TRYSEM, it accentuated the problem of coordination in the area of training. Now three Directorates came to be in charge of training : the Directorate of Training which became virtually Directorate of Khadi Training; V.I. Directorates which ran their own training programmes for the industries in their charge; and TRYSEM Directorate which was exclusively concerned with TRYSEM. There being no Committee for Training since 1977, the Commission itself assumed the full responsibility for overseeing and effecting coordination among the three Directorates.

8.6 The story of KVIC's involvement in TRYSEM is not free from disquiet. Out of 76 centres identified, the construction work has been completed in 50 centres only. 21 are in progress and 5 are yet to start. As a result of hasty decisions in the beginning, the KVIC was constrained to change the locations and trades as well as to seek a revision on the scale of assistance. However, the Ministry of Rural Development which in the mean-

while had to shed KVIC in favour of Ministry of Industry, held up further releases of funds. There are cases where construction is in progress but no funds are forthcoming on the ground that the Ministry of Rural Development has not been consulted before making the change in location, etc. The matter has been further complicated by the fact that the scheme itself has been transferred to the State Governments with effect from 1-4-1986. This problem needs to be sorted out. We fail to understand why this has been allowed to drag on so long. We appeal to the Ministry of Industry, the administrative Ministry, to take it up at its level and find a final solution satisfactory to all concerned.

8.7 Thus, KVIC has created infrastructure for imparting training to about 11,000 persons at various levels through 123 centres—departmental and non-departmental taken together. If training facilities created under TRYSEM in recent years are added, the total existing capacity for training in KVI will be about 25,000 persons per year.

Annexe II furnishes locations of the training centres. However, a close look at the location of the training centres will lead one to the uncomfortable conclusion that they are largely concentrated in a few States and that all regions of the country are not covered equally.

8.8 Broadly speaking, the facilities are meant for training five categories : (i) organisers, (ii) supervisors, (iii) extension workers, (iv) technical workers and (v) skilled artisans/workers. Annexe II furnishes details regarding industry-wise courses, their duration and their approximate training capacity.

8.9 In addition, KVIC made some attempts to run training courses for orienting its own employees and those of the State Boards and for equipping the former with some knowledge relating to systems and procedures. These courses which were started in 1960-61 were discontinued after 3 or 4 years, as reportedly there was considerable resistance from the employees against the stipulation that attendance at the courses was a pre-condition for crossing the efficiency bar. We have learnt that the orientation course has been revived since 1984-85 and that the response so far has not been satisfactory.

8.10 Though the senior functionaries in the khadi and village industries institutions are experienced in their job, they have no scientific training in Management aspects. Some of the institutions in Kerala requested the KVIC to start Management courses for their functionaries. Accordingly, the Central Training Institute of Management was set up at Trivandrum with effect from 2-10-1980. The Institute has been provided with accommodation and furniture by the Gandhi Smarak Nidhi on rent. The intake capacity of this training centre is 12 trainees at a time. The Institute conducts courses in the following :

1. Production Management of 2 months' duration.
2. Marketing Management of 1½ months' duration.
3. Financial Management of 1½ months' duration.
4. Composite Management of 2 months' duration.

The present faculty of the Institute consists of one Principal in the rank of Asstt. Director and two lecturers. In addition, the Institute avails of the services of guest lecturers. Till the end of 1985-86 the Institute has trained 194 persons under different courses.

8.11 In February, 1982, KVIC appointed a Working Group under the Chairmanship of Shri B. K. Sharma, its Honorary Advisor on Rural Development to assess the training needs during the remaining period of the Sixth Plan and the adequacy of the existing infrastructure facilities and recommend new training facilities if necessary, the disciplines that needed emphasis and the staffing patterns of the training units. The Group submitted its Report in July, 1984. It is, however, disappointing to say that the Commission has not initiated action on most of the recommendations. In these circumstances, we consider it worthwhile to draw attention to the important findings and suggestions of the Working Group and add our comments.

8.12 In its critical review; the Group made the following points :

- (a) the total absence of man power planning has been the greatest draw-back in the entire training programme of the Commission. As a consequence, we find a wide gap between the field and the laboratory, so far as application of improved technology is concerned. The Industry Directorates of the Commission, State Khadi and Village Industries Boards as well as the implementing agencies were found to be equally guilty of this lapse. Lack of man power planning has affected all levels, artisans to managers, and the efficacy of a time cycle in training and refresher courses has been completely ignored;
- (b) the breakdown of the periodical inspection system has resulted in the deplorable deterioration of the infrastructure facilities. No serious attempts have been made to equip the training centres with modern aids and to update the methodology of training;
- (c) the available training capacity has remained unutilised largely due, in the Group's view, to the absence of a policy to enforce employment of trained personnel as a precondition of financial assistance and to unwise location of the training centres. We could allocate a good part of the blame for under utilisation to the perception of the trainees and their employers about the poor quality of training;
- (d) the lack of coordination, at the top, of the training programmes of the different directorates since the discontinuance of the Training Advisory Committee; and
- (e) there has been no adequate recognition of the benefits of peripatetic training compared to campus training. Under the former, not only the actual working

artisans are likely to be sensitised but also the training staff are enabled to appreciate the field conditions and problems better and improve their training faculties.

8.13 We may now take note of the important recommendations of the Group :

- (a) a Seven Year manpower plan (1983-84 to 1989-90) should be prepared carefully to cover all categories. The training needs at the beginning of the Seventh Plan were estimated at 40,000 per year. In addition 5,000 seats per year would have to be found for the supervisory, managerial and extension workers;
- (b) infrastructure facilities including buildings, teaching aids and staff should be strengthened suitably. If necessary, location of courses should be changed so as to bring them in proximity to the industries concerned;
- (c) one National Institute for training in KVI at Nasik with supporting Zonal Centres in the five zones of the country should be developed;
- (d) it should be made compulsory for all KVIC staff to undergo the orientation course before joining their respective appointments;
- (e) Directorate of Training should be strengthened and streamlined to be incharge of all training barring a few exceptions. The Training Advisory Committee should be revived;
- (f) the amount of stipend during training should be suitably raised but fixed on a sliding scale and;
- (g) training syllabus should be revised so as to give greater importance to practical aspects of training.

8.14 We are glad to find that in April, 1984, the Commission issued the following directions on training needs and man-power plan.

- (i) that the budget teams and the Directors of Industries/Programmes be instructed to collect detailed information about the need for trained personnel by institutions for linking the training programme with manpower planning in a scientific manner;
- (ii) with a view to facilitate proper man power planning, efforts be made to prepare development plans for KVI for States, if possible, on regional basis. It would be desirable to prepare development plan for each institution also on the principles of "planning from below"; and
- (iii) availability of required trained personnel be made a pre-condition for release of funds to institutions for expansion programme.

As a follow up, a letter was addressed in June, 1984 to all the institutions and the State Boards to get their workers trained in a phased manner and in future recruit only those persons who are trained in the Commission's approved training centres. This was reiterated in September, 1985 in another letter to all the State Boards and institutions. Thus, a beginning has been made in manpower planning. We understand that the Directorate of Training has received some information from the field. We trust that these directives will be enforced in the spirit in which they have been issued till the field institutions realise that ultimately releases of financial assistance will depend on compliance in regard to employment of trained manpower.

8.15 Some other steps recently taken by the Commission in the right direction are the constitution of a State Level Screening Committee with State Director as Chairman and Principal of the Training Centre as Convenor to select trainees for different courses; increase in the remuneration of the teaching staff and the corresponding revision in the patterns of assistance to non-departmental training centres; approval to payment of honorarium to guest faculty in respect of subjects not covered by the staff of the training centres and the decision to prepare a compendium of courses. While these measures are good as they go, there is no doubt that they do not go far enough. We shall indicate below what in our view needs to be done additionally and urgently.

8.16 As regards selection of trainees, we are not sure if the State Level Committee will produce satisfactory results in all cases. In the case of TRYSEM, at any rate, arrangements have to be made at the block level. Experience in districts brought under the Special Programme like Bijapur has shown that active participation at taluka level by KVI institutions can bring about a better and more coordinated use of the available funds and facilities.

8.17 We believe that the main clue for the optimum utilisation of the training capacity is the enhancement of the credibility of the courses through improvement of quality, overhaul of the syllabus, deployment of modern teaching aids and a scientific approach towards the development of the curriculum. This statement is based not only on general observation but also on the KVIC's own experience in certain cases. For example, the khadi processing training centre at Bengeri, Hubli in Karnataka had built up such a reputation that its trainees came to be picked up by the organised sector. Earlier we had noted that in Beekeeping, CBRI of KVIC has won international recognition. Gobar Gas technology has been popularised all over the world by the training programme of KVIC. Similarly, the Central Village Pottery Institute at Khanapur in Belgaum District (Karnataka) has earned reputation as a good training centre. The overall quality of training in Handmade Paper and NEO and Soap is quite satisfactory. There are some training centres like Shivdasapura (Woollen Khadi), Veerapandy (Khadi Karyakarta), Nadathara (Khadi Karyakarta, Muslin refresher), Sevapuri (Khadi Karyakarta) and Nasik (Khadi Karyakarta, NMC refresher) which have a creditable record of performance. The proper approach in

this matter would be to equip the centres with the required facilities like buildings, teaching aids, tools, equipments, machines and library and above all, competent teaching personnel. It must be ensured that all regions are adequately covered. As regards buildings, it will not suffice to rely exclusively on the CPWD, as this department does not have its staff and other facilities in most of the interior locations in which KVIC is interested. This explains why the structures of departmental centres take time to be completed compared to those of the implementing agencies. The Commission must be enabled to avail of the State Government agencies or even its own implementing agencies for construction work. As regards tools, equipments and machines, the present practice does not permit stocking of different varieties and making comparative assessments of their utility, efficiency and economics. A scientific approach would demand a comparison of the productivity of different kinds of equipment which alone could convince a trainee of the need for adopting a particular type of equipment. It is desirable that the training courses, particularly for the artisans should consist of practical classes upto 75 per cent, theory being limited to 25 per cent. Further, considering the nature of the industry, the artisans have to be taught how to dismantle the machine, maintain it regularly and reassemble it. They must be given necessary skills for becoming self-reliant in this respect instead of waiting helplessly for some mechanic to come from far-off places. It follows from the above that the training centres must be close to production units. Otherwise, the dovetailing of practical lessons in equipment maintenance and the production process cannot be achieved in practice. In fact, the centres must be conceived as training-cum-production centres and adequate financial provision made for meeting the cost of materials wasted in the process.

8.18 It is good to recognise that not all the artisans can be attached to Training-cum-Production Centres for upgrading the skills or learning the new technology that is being recommended. Some will hesitate to be away from their work places due to the fear of loss of earnings. To bring such artisans within the contemplated technology transfer system, it is necessary to organise peripatetic demonstration squads who can visit the places where the artisans concerned are concentrated. These squads, if properly equipped, guided and monitored, can prove very useful. Such squads may be linked to selected training centres.

8.19 We recommend that Karyakarta training courses require a new approach. There is no point in Kayakarta specialising in one type of activity only. He, being the extension worker (Pracharak), organiser (Sanchalak), and technician (Tantrayak) rolled into one, must have the ability to handle different industries and different types of activities. He should also become conversant with management and monitoring aspects. It is desirable to design and develop a comprehensive course for this group of functionaries. With some additions and alterations, it can be used for training supervisors of KVIC and State Khadi & Village Industries Boards.

8.20 We are of the opinion that the preparation of curricula and syllabi needs great care, expertise and sophistication than have been brought to bear on the task hitherto. In the

fifties, the Training Advisory Committee used to spend a lot of time over this work. But now even the curriculum does not claim sufficient attention not to speak of expertise. In the present context, therefore, we recommend that 10 to 12 regional training institutions, which are comparatively better in every respect should be selected and charged with the responsibility of studying the intricacies of the curriculum, teaching and learning materials like charts, maps, etc. A committee of 5 to 7 (half of whom should be experts from outside), under the Chairmanship of a Member of the KVIC, who has the necessary background as an educationist or a trainer will consider curricula prepared by the selected centres and approve them with such changes as it considers necessary. This committee should prove useful to build contacts between KVIC's training institutions and the established institutions like IITs, community polytechnic and the general training infrastructure of the country including the Composite Rural Training Centres that are being planned at the district level. After all, KVIC should not work in isolation but view its efforts as part of the planned exercise for development of human resources.

8.21 We stress the importance of in-service training for all categories of staff of KVIC, State KVI Boards and implementing agencies in the field. This has to become part of the career development of the persons concerned. In-service training should be a pre-condition for promotion and assumption of higher responsibilities. Normally, there should be a time cycle within which every employee, in Class III and above has to undergo training. Formal training in refresher courses can, if necessary, be substituted in suitable cases by participation in workshops, seminars, symposia, demonstrations, etc. In this context, full advantage should be taken of the courses offered by other organisations such as banks, cooperative training institutes, Management Institutes, NISIET etc., particularly on subjects like development of entrepreneurship, feasibility studies, quality control, market research, salesmanship, financial management, etc.

8.22 The quality of training depends for the most part on the competence of the trainers. So, great care has to be taken to see that sufficient number of trainers are trained or oriented before they are posted to training institutes. There is an opinion that to achieve this end, it is necessary to maintain a separate cadre of trainers. We do not, however, think so, in respect of most of the subjects dealt with in the training institutes of KVIC. Considering that the major portion of curriculum should consist of practical classes, it is appropriate to draw the trainers from the ranks of those who have gathered sufficient experience in the actual production line. This applies particularly to subjects which have large technical component. However, not all people who have done well in the production line or in development programmes are capable of teaching. To ensure that square pegs are not put in round holes, a system of selection can be introduced after calling for volunteers from those who have gathered practical experience. Once selected, they can be given the necessary orientation training in the methodology of teaching and posted to training jobs for sufficiently long tenure. A special allowance must be attached to the training posts. This,

in our view, will be a better answer to the problem of finding competent trainers with teaching aptitude than the device of organising a separate training cadre. The latter is bound to suffer from the defect of isolation from the practical work and may give rise to discontent and other usual evils of a small closed cadre. However, we have no objection to some exceptions being made to the above rules in regard to some specific subjects.

8.23 We are convinced that the imperatives of trainers' training and in-service training of high standard cannot be adequately met unless the Central Training Institute at Nasik is upgraded and expanded according to a well-thought out plan. In this context, we wish to refer to the reply given by Shri Gajanan Naik, the veteran constructive worker, to our question to the effect that the Nasik Institute as originally conceived was to grow into an Academy of Khadi and Village Industries comparable to the National Academy of Administration, Mussoorie and the National Defence College, Khadakvasla. We think it is necessary to revive this concept and make Nasik a premier centre for training. We recommend that KVIC should prepare a feasibility report for a truly National Academy of Research and Training in Village Industries at Nasik.

8.24 In view of the importance of the function of training, we would urge that the Directorate of Training should be strengthened and put in overall charge of policy, planning, coordination, supervision and monitoring of all training undertaken under the auspices of the KVIC. It may be argued that there are many training centres which are required to confine their activities to training in one industry only and that withdrawal of those centres from the purview of the Industry Directorates concerned may prove to be a retrograde step. Wholesale transfer of such centres to the control of the Directorate of Training may unduly increase the burden of the Directorate and divert its attention from more important matters like policy and planning. After careful consideration of the practical aspects involved, we agree that a pragmatic approach may be adopted. For example, while training centres specialising in one industry only and under the management of implementing agencies may continue to be under the purview of the Industry Directorate concerned, a different approach may be followed in respect of centres providing training in more than one industry and being managed departmentally. In deciding these questions, it is necessary to bear in mind the need for encouraging training centres to expand the coverage of the industries particularly some of the new ones that will have to be promoted in accordance with the new definition. It appears desirable that all the departmentally managed centres which cater to more than one industry do come under the control of the Directorate of Training. Even if the centres are not transferred to the jurisdiction of the Directorate, it should be made clear that the Directorate should get periodical reports, so that it can review the total situation and present an overall picture to the Commission.

8.25 For organising and implementing the artisan training programmes, we recommend that local committees consisting of the representatives of field institutions and State Board may be constituted.

8.26 Finally, we suggest that the Standing Advisory Committee on Training should be set up by the KVIC to advise it on all matters relating to training. It should consist of representatives from Ministries of Labour, Human Resources Development (Technical Education), and Rural Development, Indian Council of Agricultural Research (ICAR), Council of Scientific and Industrial Research (CSIR) and CART. In addition, four or five Principals of reputed training institutes or specialists in training methods should also be Members of the Committee. The Chairman of the KVIC will preside over the Committee while the Deputy Chief Executive Officer who is in overall charge of the Directorate of Training will function as Convenor.

8.27 To supplement the above effort, we recommend introduction of KVI in the vocational education programme, so that the relevant crafts can be taught and practised from early stages by children in the age group of 10 plus. This will develop a favourable culture for decentralised village industry and provide expertise to children desirous of taking up full time/part time or seasonal employment of their choice in the KVI sector. Fortunately, KVIC has a good network of training institutions as well as field institutions which can help organising vocational training programme in surrounding areas and also provide back-up support of raw materials, design and marketing to prospective entrepreneurs after the training. For this purpose, curriculum can be prepared by the institutions proposed by us in para 8.20. To organise this programme, KVIC should set up a vocational training cell in the Directorate of Training of the KVIC. The progress of vocational training should be monitored by the Training Advisory Committee recommended by us.

8.28 We trust and hope that with the constitution of the Standing Advisory Committee, the strengthening of the Directorate of Training and streamlining the training institutes as suggested above, KVIC will be in a better position to discharge the responsibilities placed on it by the statute in respect of training.

सत्यमेव जयते

ANNEXE I (Para 8.4)

KHADI AND VILLAGE INDUSTRIES

Number of persons Trained : Planwise and Industrywise

Sr. No.	Industry	First Plan	Second Plan	Third Plan	Annual Plan
		1953-54	1956-57	1961-62	1966-67
		to 1955-56	to 1960-61	to 1965-66	to 1968-69
1	2	3	4	5	6
I. KHADI		2,692	4,50,402	85,286	28,544
II. VILLAGE INDUSTRIES					
1.	Processing of Cereals and Pulses	146	523	1,079	479
2.	Ghani Oil	1,128	3,152	1,696	114
3.	Village Leather	733	1,656	1,093	482
4.	Cottage Match	119	798	197	33
5.	Manufacture of Canegur and Khandsari	474	2,535	1,741	461
6.	Palmgur and other Palm Products	24,796	13,951	5,460	7,868
7.	Non-edible Oils and Soap	201	1,072	586	197
8.	Handmade Paper	104	711	855	30
9.	Beekeeping	448	664	726	477
10.	Village Pottery	91	1,329	1,020	685
11.	Fibre	12	223	23,806	12,902
12.	Lime Manufacturing	—	—	44	77
13.	Gobar Gas	—	—	115	53
14.	Carpentry and Blacksmithy	—	—	126	96
15.	Collection of Forest Plants and Fruits for Medicinal Purposes	—	—	—	14
16.	Shellac	—	—	—	—
17.	Manufacture of Gum Resins	—	—	—	—
18.	Manufacture of Katha	—	—	—	6
19.	Fruit Processing and Fruit Preservation	—	—	—	5
20.	Bamboo and Canework	—	—	—	—
21.	Manufacture of Household Aluminium Utensils	—	—	—	—
TOTAL II		28,252	26,614	38,543	23,979
TOTAL I + II		30,944	4,77,016	1,23,829	52,523

(contd.)

ANNEXE I (Para 8.4)—(Contd.)

KHADI AND VILLAGE INDUSTRIES**Number of persons Trained : Planwise and Industrywise**

Sr. No.	Industry	Fourth Plan	Fifth Plan	Annual Plan	Sixth Plan
		1969-70	1974-75	1978-79	1980-81
		to 1973-74	to 1977-78	to 1979-80	to 1984-85
1	2	7	8	9	10
I.	KHADI	4,904	2,136	2,052	5,779
II.	VILLAGE INDUSTRIES				
	1. Processing of Cereals and Pulses	528	257	180	382
	2. Ghani Oil	146	90	1,161	3,452
	3. Village Leather	541	359	215	317
	4. Cottage Match	46	359	507	4,221
	5. Manufacture of Canegur and Khandsari	904	215	337	218
	6. Palmgur and other Palm Products	1,314	877	5,286	14,063
	7. Non-edible Oils and Soap	247	154	210	565
	8. Handmade Paper	153	272	115	419
	9. Beekeeping	1,540	742	499	501
	10. Village Pottery	1,035	454	327	728
	11. Fibre	2,604	894	280	6,668
	12. Lime Manufacturing	237	431	229	817
	13. Gobar Gas	161	817	492	1,965
	14. Carpentry and Blacksmithy	45	—	—	—
	15. Collection of Forest Plants and Fruits for Medicinal Purposes	76	17	—	—
	16. Shellac	4	—	—	—
	17. Manufacture of Gum Resins	—	—	—	—
	18. Manufacture of Katha	—	—	—	—
	19. Fruit Processing and Fruit Preservation	17	—	—	5
	20. Bamboo and Cane Work	—	—	—	—
	21. Manufacture of Household Aluminium Utensils	6	—	—	—
	TOTAL II	9,604	5,938	9,835	28,542
	TOTAL I + II	14,508	8,074	11,887	34,321

ANNEXE II^a (Para 8.8)**KHADI AND VILLAGE INDUSTRIES****Industrywise Courses, their Duration, Location and Training Capacity**

Sr. No.	Name of the Industry	Location of Training Centres	Names of Courses	Duration	Training Capacity
1	2	3	4	5	6
KHADI		DEPARTMENTAL			
1.	Cotton Khadi	1. Khadi Gramodyog Vidyalaya, Khadi and V.I. Commission, Industrial Estate, Dimapur (Nagaland)	1. Khadi Karyakarta 2. Sahayak Khadi Karyakarta 3. Katai Karyakarta 4. Bunai Karyakarta 5. New Weaver's Course	10 months 6 months 6 months 6 months 1 year	20
		2. Muslin Khadi Training Centre, Khadi and V.I. Commission, P.O. Subzikatra (Lalbag), Dist. Murshidabad (W.B.)	1. Katai Karyakarta 2. Bunai Karyakarta 3. Khadi Karyakarta (Muslin) 4. Training of Artisans/Weaving Instructors in Muslin	6 months 6 months 10 months 4 months	25
		3. Multi-Disciplinary Training Centre, Khadi and V.I. Commission, Abhoy Ashram Campus, Birati, Calcutta (West Bengal)	1. Khadi Karyakarta 2. Katai Karyakarta 3. New Weaver's Course	10 months 6 months 1 year	50
		4. Khadi Gramodyog Vidyalaya, Khadi and V.I. Commission, Swargashram, P.O. Baruasagar, Dist. Jhansi (U.P.)	Katai Karyakarta	6 months	25
		5. Zonal Training Centre, Khadi and V.I. Commission, P.O. Trymbak Vidya Mandir, Dist. Nasik (Maharashtra)	1. Khadi Karyakarta 2. Katai Karyakarta 3. Bunai Karyakarta 4. Refresher course in cotton spinning on 12 Spindle NMC	10 months 6 months 6 months 2 months	150
		6. Zonal Training Centre, Khadi and V.I. Commission, P.O. Doorvaninagar, Bangalore (Karnataka)	1. Khadi Karyakarta 2. Muslin Refresher Course (Spinning)	10 months 2 months	30

1	2	3	4	5	6
	7. Zonal Training Centre, Khadi and V.I. Commission, P.O. Nadathara, Trichur (Kerala)	1. Khadi Karyakarta 2. Katai Karyakarta 3. Bunai Karyakarta 4. Khadi Karyakarta (Muslin) 5. Muslin Refresher Course (Spinning)	10 months 6 months 6 months 10 months 2 months	60	
NON-DEPARTMENTAL					
	1. Khadi Gramodyog Vidyalaya, Tamilpur, Anchalik Gramdan Sangh, P.O. Kumarikata, Dist. Kamrup (Assam)	1. Khadi Karyakarta 2. New Weaver's Course 3. Design Weaving	10 months 1 year 6 months	50	
	2. Khadi Gramodyog Vidyalaya, Utkal Khadi Mandal, Gopalwadi, P.O. Antamada, Via. Raigada, Dist. Koraput (Orissa)	1. Khadi Karyakarta 2. Katai Karyakarta 3. New Weaver's Course	10 months 5 months 1 year	30	
	3. Khadi Gramodyog Vidyalaya, Gram Nirman Mandal, P.O. Sokhodeora, Dist. Nawada, (Bihar)	1. Khadi Karyakarta 2. New Weaver's Course 3. Muslin Refresher Course (Spinning)	10 months 1 year 2 months	50	
	4. Khadi Gramodyog Vidyalaya, Kshetriya Shri Gandhi Ashram, P.O. Sevapuri, Dist. Varanasi (UP)	1. Khadi Karyakarta 2. Refresher Course in cotton spinning on 12 Spindle NMC	10 months 2 months	60	
	5. Khadi Gramodyog Vidyalaya, M.P. Sanstha Sangh, Betulganj, Betul (MP)	Khadi Karyakarta	10 months	40	
	6. Khadi Gramodyog Vidyalaya, Rajasthan Khadi Sangh, P.O. Shivdaspura, Dist. Jaipur (Rajasthan)	Khadi Karyakarta	10 months	75	
	7. Khadi Gramodyog Vidyalaya, Khadi Ashram, P.O. Dhanana Dist. Ambala (Haryana)	Khadi Karyakarta	10 months	30	
	8. Khadi Gramodyog Vidyalaya, Tamil Nadu Sarvodaya Sangh, P.O. Veerapandi, Tirupur, Dist. Coimbatore (T.N.)	1. Khadi Karyakarta 2. Weaving on Semi-automatic Loom (Nepali)	10 months 6 months	75	

1	2	3	4	5	6
			3. Scutcher and Carding	2 months	
			4. Refresher course in cotton spinning on 12 spindle NMC	2 months	
9.	Khadi Gramodyog Vidyalaya, Gandhi Niketan Ashram, T. Kal- lupatty, Dist. Madurai (Tamil Nadu)	1. Khadi Karyakarta 2. New Weaver's Course		10 months 1 year	50
10.	Khadi Gramodyog Vidyalaya, Kshetriya Shri Gandhi Ashram, P.O. Patranga, Dist. Barabanki (U.P.)	Khadi Karyakarta		10 months	50
11.	Khadi Gramodyog Vidyalaya, Kshetriya Shri Gandhi Ashram, Ariya, Akbarpur, Dist. Faizabad (U.P.)	Khadi Karyakarta		10 months	50
12.	Artisan Training Centre, M.P. State Khadi and V.I. Board, Paradesipura, Indore (M.P.)	New Weaver's Course		1 year	30
13.	New Weavers Vidyalaya Nanthi- iattukunnum, N. Parur, Dist. Ernakulam (Kerala)	1. New Weaver's Course 2. Training of Artisans/ Weaving Instructors in Muslin		1 year 4 months	40
14.	New Weavers Vidyalaya, Kshe- triya Shri Gandhi Ashram, P.O. Amethi, Dist. Sultanpur (U.P.)	New Weaver's Course		4 months	25
15.	Khadi Gramodyog Vidyalaya, Zonal Training Centre	1. Refresher Course in Spinning on 6 spindle NMC 2. Khadi Karyakarta condensed course 4 (parts) 3. Weaving Supervisors Course 4. Weaving (Warping) Artisans		2 months 8 months 2 months 2½ months	

1	2	3	4	5	6
2. Woollen Khadi NON-DEPARTMENTAL					
	1. Khadi Gramodyog Vidyalaya, Rajasthan Khadi Sangh, P.O. Shivdaspura Dist. Jaipur (Rajasthan)	1. Khadi Karyakarta 10 months 2. Katai Karyakarta 2 months (Condensed Course) 3. Bunai Karyakarta 2 months (Condensed Course) 4. Wool Knitting and Hosiery Course 15 months 5. New Weaver's Course 12 months			75
3. Silk Khadi NON-DEPARTMENTAL					
	1. Khadi Gramodyog Vidyalaya, Tamalpur Anchalik, Gramdan, Sangh, P.O. Kumarikatta, Dist. Kamrup (Assam)	Endi Silk Khadi Karyakarta	12 months		50
	2. Khadi Silk Weavers Training Centre, Khaltipur, Malda (W.B.)	New Weaver's Course	12 months		
4. Polyvastra DEPARTMENTAL					
	1. Zonal Training Centre, Khadi and V.I. Commission, P.O. Trymbak Vidya Mandir, Nasik (Maharashtra)	Polyvastra Katai Karyakarta	6 months		150
	2. Zonal Training Centre, Khadi and V.I. Commission, Udyogpuri, P.O. Khandagiri, Bhubaneswar, Orissa	—do—	—do—		
NON-DEPARTMENTAL					
	Khadi Gramodyog Vidyalaya, Tamil Nadu Sarvodaya Sangh, P.O. Veerapandi, Tripur, Dist. Coimbatore (Tamil Nadu)	—do—	—do—		75
NON-DEPARTMENTAL					
5. Dyeing, Bleaching and Printing					
	Khadi Gramodyog Vidyalaya, (Textile Chemistry), Bengeri, Hubli (Karnataka)	1. Course in Textile Chemistry 14 months 2. Short Term Training Course in printing 3 months			16

1	2	3	4	5	6
6. Integrated Development Programme	DEPARTMENTAL	1. Zonal Training Centre, Khadi and V.I. Commission, P.O. Trymbak Vidya Mandir, Nasik (Maharashtra)	1. Area Organiser's Course 2. Area Organiser's Refresher Training Course	8 months 2 months	150
7. Marketing	DEPARTMENTAL	1. Khadi Gramodyog Vidyalaya, Khadi and V.I. Commission, Shimpoli Road, Borivli (W), Bombay (Maharashtra)	1. Marketing Assistant Course 2. Refresher Course for Marketing Assistants	6 months 6 weeks	20
8. Management Course	DEPARTMENTAL	Central Training Institute of Management, Khadi and V.I. Commission, Thycaud, Trivandrum (Kerala)	1. Integrated Management 2. Production Management 3. Marketing Management 4. Financial Management 5. Management Development 6. Orientation Course in Accounts, Audit, Supervision and Inspection	2 months 2 months 1 month 1½ months 2 months 1 month	15
VILLAGE INDUSTRIES	NON-DEPARTMENTAL	1. Khadi Gramodyog Vidyalaya, Gandhi Niketan Ashram, T. Kallupatti, Dist. Madurai (Tamil Nadu)	1. Village Industries Karyakarta Course	13 months	50
1. Processing of Cereals and	DEPARTMENTAL	Central Training Institute for Processing of Cereals and Pulses Industry, Khadi and V.I. Commission, Behind Science College, Wardha (Maharashtra)	1. Managerial Training 2. Bakery Training Course 3. Artisan Training Course for (i) Processing of paddy	10 months 3 months 3 months	20 60 10

1	2	3	4	5	6
			(ii) Poha, Murmura, Khil and Simi- lar products	45 days	10
			(iii) Processing of Pulses	3 months	10
			(iv) Further Proces- sing of pulses :		
			(i) Papad	1 month	10
			(ii) Bari and other products	1 month	
			(v) Processing of Masalas	2 months	10

2. Ghani Oil

NON-DEPARTMENTAL

1. Khadi Gramodyog Mahavidya- laya, Rajendra Nagar Hyderabad	1. Artisans Training Course	2 months	10
2. Departmental Oil Production Centre, Porla Street, Tirupathi	2. Mistry Training Course	3 months	10
3. Teli Indl. Co-op. Society Raj- mohalla Road, Hyderabad	3. Supervisory Train- ing Course	3 months	20
4. Ismailkhanpet Ghani Complex, Ismailkhanpet, Dist. Medak			10
5. East Godavari Dist. Rural Khadi Dev. Sanstha, Toorangi, Dist. Kakinada			4
6. Tamalpur Anchalik Gramdan Sangh, Kumarikata, Dist. Kamrup			10
7. Patna Zilla K.G.S., Kadamkuan, Patna			10
8. Purani Godown T.U.S.S. Ltd., Ketokar Talav, Gaya			10
9. Gadadar Mistra Smarak Nidhi, Godda, Snthal Pargana Dist.			10
10. Gram Nirman Mandal, Gaya			4
11. Muzaffarpur Zilla K.G.S., Muzaffarpur			10
12. Gram Swarajya Sangh, Bariyarpur			10
13. Chotanagpur K.G.S., Tiril, Ranchi			10
14. Vaishali Zilla K.G.S. Vaishali			4
15. Nitapur T.U.S.S., P.O. Nitapur			6
16. M.D.D.C., Gandhinagar			10
17. Sarvodaya Ashram, Valam			4

1	2	3	4	5	6
		18. Gujarat Khadi Mandal, Ahmedabad			4
		19. Swarajya Ashram, Bardoli			4
		20. Gandhi Smruthi, Bhavnagar			10
		21. Departmental Production Centre Basi Patna			8
		22. Khadi Ashram, Ladwa			10
		23. Khadi Gramodyog Mandal, Kurukshetra			4
		24. Nahan Foundry, Nahan			4
		25. Lalhari Ghani Oil Prodn. Co-op. Indl. Society, P.O. Lalhari, Dist. Hamirpur			10
		26. Nadaun Ghani Oil Prodn. Co-op., Indl. Society Ltd., P.O. Nadaun			4
		27. Arun Oil ghani workers Associa- tion, Villa. Zanda, P.O. Jukhala, Dist. Bilaspur			4
		28. Sri Gandhi Seva Sadan, Jammur J and K			4
		29. Badanwal Composite Centre, P.O. Badanwal, Tq. Nanjangud, Dist. Mysore			10
		30. Belgaum Dist. K.G.S., Rampur Saundati, Dist. Belgaum			8
		31. Gadag Betgeri, Ganod Yennel U.S.S. Ltd., P.O. Gadag, Dist. Dharwar			6
		32. Bijapur Gramodyog Yenne U.S.S. Ltd., P.O. Bijapur			20
		33. Begalkote Ganigar Yenne U.S.S. Ltd., P.O. Bagalkot, Dist. Bijapur			50
		34. Dharwar Ganod Yenne U.S.S. Ltd., Opp. Sangam Talkies, P.O. Dharwar			10
		35. Karnatak Khadi G.S.S. (Fed), Bengeri, Hubli-23, Dist. Dharwar			10
		36. Karnatak Khadi Gramodyog S.S. (F), Vishwancedam (Branch) P.O. Vishwandedam (Bangalore)			10
		37. Kerala Sarvodaya Sangh, Cali- cut and its branches			4
		38. Crangnore Multi Purpose Co.op. Society, Crangnore, Dist. Trichur			30
		39. Tel Ghani Kendra, M. P. Khadi & V. I. Board, Gwalior			4

1	2	3	4	5	6
		40. Tel Ghani Kendra M. P. Khadi & V. I. Board, Bhopal			4
		41. Tel Ghani Kendra, M. P. Khadi & V. I. Board, Mandasor			4
		42. Mahatma Gandhi Seva Ashram, Joura, Dist. Murena			6
		43. Madhya Bharati Khadi Sangh, Gwalior			10
		44. Madhya Bharati Khadi Samtha Sangh, Bhopal			6
		45. Bhandara Zilla Sahayak, Samiti, Gondia			6
		46. Mahila Seva Mandal, Kakawadi Wardha			10
		47. Yusuf Meherally Centre, Tara, P. O. Barapada, Tq. Panvel, Dist. Raigarh			6
		48. Koly Tel Ghana Sahakari Sangh Ltd., Nayamoda, Jalana, Dist. Jalana.			20
		49. Ambika Tel Utpadak S. S. Ltd., Ahmadnagar			6
		50. Sholapur Tel Utpadak S. S. Ltd., Sholapur			20
		51. Bharatiya Gramodyog S. S. Budhawarapet, Solapur			10
		52. Nagpur Khadi Mandal, Ghandi Sagar, Nagpur-2.			8
		53. VOI Production Training Centre KVIC, Gandhi Darshan, Raj- ghat, New Delhi.			10
		54. Production-Demonstration Trai- ning Centre, Orissa Khadi & V.I. Board, Udyogpuri, Bhubanes- shwar			4
		55. Gopabandu Daridra Narayan Seva Sangh, Korput			6
		56. Khadi Gramodyog, Mandal, Patti, Dist-Sangrur			4
		57. Khadi Gramodyog Karyakarta Sangh, Sangrur			4
		58. Punjab Khadi Mandal, Adam- pur Doaba			6
		59. Gramodyog Karyakarta Sangh, Derabassi			6

1	2	3	4	5	6
60.	Seva Sadan, Bhilwara				6
61.	Khadi Mandir, Bikaner				8
62.	Lok Bharathi Samiti, Sivadas- pura				10
63.	Kshetriya Gramodyog Vikas Samiti, Alwar				10
64.	Sri Shankar Ghani T.U.SS., Ramganj Bazar, Jaipur				20
65.	Murali Manohar Ghani T.U.S.S Ltd., Chowda Rastha, Jaipur				10
66.	Shiv Shankar Ghani Tel T.U.S.S Ltd., Tonk				10
67.	Bundi Ghani T. U. S. S. Ltd., Bundi, Dist-Tonk				10
68.	Ghani Vidya Mandir Sharda Sahar, Churu				10
69.	Janatha Ghani T. U. S. S. Ltd., Jodhpur				10
70.	Jaylaxmi Ghani T. U. S. S. Ltd., Ajmer				10
71.	Beawar Tel Ghani T. U. S. S. Ltd., Beawar, Ajmer				10
72.	Tharnau Ghani T. U. S. S. Ltd., Tharnau, Nagar				10
73.	Khadi Gramodyog Sangh (Bhavan), Lyoyda Road, Gopala- puram Madras-86				10 10
74.	Gandhigram Rural University (Formerly Rural Institute) P.O. Gandhigram (Madurai)				6
75.	Usilampatti Co-Op., Cottage Indl. Society Ltd., P.O. Usilam- patti, Dist-Madurai				6
76.	Koorainadu Multi Purpose Co. Op. Society Ltd., Dist-Tanjavur, P. O. Mayavaram				10
77.	Thiruvalangadu Oil Prod. Co. Op. Society Ltd., Dist-Tanjavur, P. O. Thiruvalangadu.				10
78.	Orathanadu Multipurpose. Co. Op. Society Ltd., Orathanadu, Dist. Tanjavur				10
79.	Pudupet Oil Producers Co- Op. Society Ltd., P. O. Pudupet (via) Panruti Dist. S Arcot				20

1	2	3	4	5	6
		80. Madurai City Nattu Chekku Oil Producers Co-Op Society Ltd., Thoppur, Madurai-6			10
		81. Sokkampalayam OPCS Ltd., Sokkampalayam, Dist, Periyar			10
		82. Kaveripatnam OPCS, P. O. Kaveripatnam, Dist. Dharmapuri			10
		83. Mariamman Oil Producers Co-Op Ltd., P. O. Srivilliputhur, Dist. Ramnad			20
		84. Pattai Oil Producers Co- Op. C. I. S. Ltd., Pattai, Tirunelveli Dist.			10
		85. Kadambodi OPCS Ltd., P. O. Kadambodi (via Sular) Dist. Coimbatore.			10
		86. Pudukadai OPCS Ltd., Pudukadia, Via Nagarkoil, Dist. Kanyakumari			10
		87. Coimbatore Nilgiris Oil Producers & HPI Federation Ltd., P. O. Sular			10
		88. Muthumariamman M. P. Indl. Co-Op. Society Ltd., P. O. Rayapuram, Dist. Pudukottai			10
		89. Oil Production-Training Centre U. P. KVI Board, Raibareilly			10
		90. Saghan Kshetra Vikas Samiti, Sewapuri, Varanasi			20
		91. Kshetriya Sri Gandhi Ashram, Maghar, Basti			20
		92. Kshetriya Sri Gandhi Ashram, Barabanki (Lucknow)			20
		93. Gramodyog Mandal, Kanpur			10
		94. Kshetriya Sri Gandhi Ashram, Meerut			10
		95. Kshetriya Sri Gandhi Ashram, Hapur, Gaziabad			6
		96. Gram Seva Mandal, Jagatpur, Allahabad (UP.)			6
		97. M. D. T. C., Abhoy Ashram, Birati			10

1	2	3	4	5	6
3. Village Leather	DEPARTMENTAL				
	1. Charnalaya, Khadi & V. I. Commission, Gopuri, Wardha (Maharashtra)	1. Footwear & Leather goods Tanning	1. year	10	
	2. Charnashilpa, 19/1, Gariahat Road, Dhakuria, Calcutta	1. Salesmanship (Foot wear & Leather goods)	6 months	10	
	NON-DEPARTMENTAL				
	1. Gandhi Niketan Ashram, P.O. T. Kallupatti, Dist. Madurai, Tamilnadu	1. Flaying & Carcass Recovery	4 months	30	
		2. Footwear & Leather goods	1 year	10	
		3. Tanning	1 year	10	
	2. Shri Gandhi Ashram, Sevapuri, Varanasi (U.P.)	Tanning	1 year	10	
	3. Visva Bharati, P. O. Sriniketan Dist. Birbhum (WB)	1. Leather Goods	11 months	10	
	4. Paschima Banga Khadi Kendra, P. O. Gayeshpur, Chandmari, Dist. Nadia (W.B.)	1. Flaying & Carcass Recovery	4 months	30	
4. Cottage Match	DEPARTMENTAL				
	1. Khadi Gramodyog Vidyalaya Khadi & V. I. Commission, Shimpoli Road, Borivli (W), Bombay-92.	1. Supervisory Course	5 months	20	
	2. Cottage Match Industry Training, Centre, P. O. Mulloorkara, Nazareth Centre, Dist. Trichur (Kerala)			35	
	3. Testing Quality Control & Standardisation Unit, Cottage Match Industry, KVIC, P. O. Dahanu, Dist. Thane (Maharashtra)	1. Refresher Course	1 month	10	

1	2	3	4	5	6
		4. Artisans of Match Units are trained at the working place, itself. Besides Commission's peripatetic parties also impart training to the local workers at the match units.	1. Artisan Course	6 months	
		NON-DEPARTMENTAL			
		1. Saghan Kshetra Vikas Samiti Sevapuri, Varanasi (U.P)			40
		2. Cottage Match Industry Training-cum-production Centre, Ambar Unit Bldg. City Railway Station Road, Pandari, Raipur, Pandari (MP)			25
5.	Cane Gur and Khandsari	DEPARTMENTAL			
		1. Gur & Khandsari Training Institute, Khadi & V. I. Commission, Kanwali, Dehradun (Pin-248 001)	1. Refresher Training Course	13 weeks	15
			2. Advanced Training Course	6 months	15
6.	Palm Gur Making and other Palm Products	DEPARTMENTAL			
		1. Central Palm Gur & Palm Production Training Centre, Khadi & V. I. Commission, 5, Arulnagar, Madhavaram milk Colony, Madras.	1. Advance Course in Palm Gur Technology	8 months	10
			2. Certificate Course in Palm Sugar Making	6 months	10
			3. Confectionary and Indigeneous Sweets Making Course (Specialisation)	3 months	10
			4. Palm Leaf, Agany, Eark and Naar Fancy utility Articles Making Course (Specialisation)	3 months	10

1	2	3	4	5	6
			5. Palm Fibre Brush Making Course (Specialisation)	3 months	10
			6. Refresher Course	1 month	10
	2. Demonstration-cum-training Centre, Khadi and V.I. Commission, Dahanu, Thane, (Maharashtra)		1. Palm Leaf, Agany, Eark and Naar Fancy utility Articles Making Course (Specialisation)	3 months	10
			2. Palm Fibre Brush Making Course (Specialisation)	3 months	10
	3. Palm Gur Extension Centre, Khadi and V.I. Commission, Chittoor Road, Monapally Kave, Palghat (Kerala)		1. Confectionary and Indigeneous Sweets Making Course	3 months	10
			2. Palm Leaf, Agany, Eark and Naar Fancy Utility Articles Making (Specialisation)	3 months	10
			3. Palm Fibre Brush Making Course (Specialisation)	3 months	10

NON-DEPARTMENTAL

1. Regional Palm Gur Training Centre, Tamil Nadu State, Palm Gur Co-op Federation, Cuddalore South Arcot Dist. Tamil Nadu State	1. Tappers proficiency Course/New tappers course (Specialisation)	4 months (Neera Season)	15
	2. Confectionary and Indigenous Sweets Making Course (Specialisation)	3 months	15
	3. Palm Candy Making Course (Specialisation)	3 months	15
	4. Palm Leaf, Agany, Eark and Naar Fancy Utility Articles Making Course (Specialisation)	3 months	15
	5. Palm Fibre Brush Making Course (Specialisation)	3 months	15

1	2	3	4	5	6
7. Non-Edible Oils and Soap	DEPARTMENTAL				
	1. Training-cum-Demonstration Centre, Gandhi Darshan, Rajghat, New Delhi	1. Artisan Training Course 2. Individual Entrepreneurs	6 months 3 months	50	
	2. Zonal Training Centre, Trymbak Vidya Mandir, Nasik (Maharashtra)	1. Supervisory Technical Personnel Course 2. Artisan's Training Course 3. Toilet Soap Manufacturers 4. Individual Entrepreneurs	11 months 6 months 3 months 3 months	150	
NON-DEPARTMENTAL					
	1. National Education Society, Balraj Urs Road, Shimoga, (Karnataka)	1. Artisans Training Course 2. Toilet Soap Manufacturer 3. Individual Entrepreneurs	6 months 3 months 3 months	80	
	2. Tamil Nadu Sarvodaya Sangh, Veerapandy, Tirupur, (Tamil Nadu)			75	
	3. Kshetriya Shri Gandhi Ashram, Akbarpur, Dist. Faizabad			50	
	4. Seva Sadan, Bhilwara (Rajasthan)			80	
	5. Bhagyanagar Khadi Samiti, B-5-266, Sultan Bazar, Hyderabad (A.P.)	1. Artisans Training Course 2. Individual Entrepreneurs Course	6 months 3 months	50 50	
	6. Gram Nirman Mandal, Buniyadaganj Gaya (Bihar)			50	
	7. Kerala Sarvodaya Sangh, Ottapalam Dist. Palghat (Kerala)			50	
	8. Gram Seva Samiti, Civil Lines, Raipur (M.P.)			50	

1	2	3	4	5	6
		9. Rajasthan Khadi and V.I. Vidyalaya, Shivdaspura Dist. Jaipur (Rajasthan)	Artisans Training Course	6 months	20
8. Handmade Paper	NON-DEPARTMENTAL				
	1.	Handmade Paper Institute, K.B. Joshi Road, Pune (Maharashtra)	Manager's Course	12 months	40 (Per batch)
	2.	Handmade Paper Centre, Mahodra Mangalam, P.O. Srinivasanallur, Tiruchirapalli Dist. (Tamil Nadu)	Artisans Course	3 months	10 (Per batch)
	3.	Handmade Paper Centre, Khadi Ashram Radaur, Dist. Kurukshetra, Haryana			10 (Per batch)
	4.	Badanwal Composite Centre, Handmade Paper Centre, Badanwal, Taluka Nanrangud, Dist. Mysore (Karnataka)			10 (Per batch)
	5.	Abhoy Ashram Handmade Paper Centre, Birati, Calcutta (W.B.)			50 (Annual)
	6.	Handmade Paper Training Institute, K.B. Joshi Road, Pune (Maharashtra)	Refresher Course	1½ months	12 (Per batch)
	DEPARTMENTAL				
	1.	Handmade Paper Demonstration-cum-Extension Centre, Khadi and V.I. Commission (JBCRI) Maganwadi, Wardha (Maharashtra)			10 (Per batch)
	2.	Experimental Tribal Training Unit HMP Industry, Lonawala			6 (Per batch)
9. Beekeeping	DEPARTMENTAL				
	1.	Central Bee Research Institute, Khadi and V.I. Commission, 1153, Ganeshkhind, Shivajinagar (Maharashtra)	1. Apiarist (Technicians and Supervisors Course)	9 months	10
			2. Fieldman Course (Supervisory and Artisans)	3 months	25

1	2	3	4	5	6
			3. Refresher Course (For Departmental Candidates only)	3 months	20
	Courses at S.No. 2, 3, 4, 5 and 6 are also conducted at Regional Bee Re- search Centres of the above Institu- tion spread all-over India		4. Specialised course in Bee Pollination, Queen rearing, Bee Pathology Comb foundation analysis of bee products	2-4 weeks	20
			5. Course for Military Personnel	3 months	20
			6. For persons from Developing Countries	9 months	5
10. Village Pottery	DEPARTMENTAL				
	1. Central Village Pottery Institute, Khadi and V.I. Commission, P.O. Khanapur, Dist. Belgaum (Karnataka)	1. Supervisors Course	11 months	25	
		2. Organisers Course	13 months	10	
		3. Artisans Course	5 months	10	
		4. Master Potters Course (Wheel work)	5 months	10	
	2. Regional Training Centre, Bhad- rawati (Maharashtra)	Master Potter's Course (Whiteware)	10 months	25	
	3. Regional Training Centre, Sevapet (Tamilnadu)	Master Potter (Pots and Pans)	5 months	25	
	4. Regional Training Centre, Saramohapur (Bihar)	Master Potters Course (Common clay Pottery)	5 months	25	
	5. Regional Training Centre, Muchukunnu (Kerala)	Master Potter's Course (Mangalore Pattern tiles)	10 months	25	
11. Fibre	DEPARTMENTAL				
	1. Fibre Research and Training Centre, Khadi and V.I. Commi- ssion, Kora Kendra, Shimpoli, Borivli (West), Bombay-400 092	1. Supervisor's Course	10 months	10	
		2. Artisans Course	3 months	10	
	2. Zonal Training Centre, Khadi and V.I. Commission P.O. Nada- thara, Trichur (Kerala)				60
	NON-DEPARTMENTAL				
	1. Nirmalayan Centre, Manvilla, Kuluthoor, P.O. Trivandrum (Kerala)	Artisans Course	3 months	80	

1	2	3	4	5	6
	2.	Vimala Welfare Centre, Ernakulam (Kerala)			180
	3.	Nirmala Social Centre, Angamaly (Kerala)			100
	4.	Carmel Welfare Centre, Chattuyath (Kerala)			80
	5.	Vidyapuram Social Service Society, Kottayam (Kerala)			80
	6.	Jeevan Sevalaya, Sriviliputtur (Tamil Nadu)			40
	7.	Kovel Fibre Worker Co-op. Society, Kanyakumari (Tamil-Nadu)			40
	8.	Utkal Khadi Gramodyog Sangh Utkal, Tal. Hunagund, Dist. Bijapur (Karnataka)			N.A.
	9.	Kasturba Gandhi National Memorial Trust, Sitanagaram, East Godavari Dist. A.P.			40
12.	Carpentry and Blacksmithy	NON-DEPARTMENTAL			
		Village Artisans Training Centre, Alangeresami Memorial Trust, Bodipalayam, Coimbatore (Tamil Nadu)	Machines for Rural Workshops	1 year	10
13.	Lime Manufacturing	DEPARTMENTAL			
	1.	Technical Extension Service Centre, Khadi and V.I. Commission P.O. Mohol Dist. Sholapur (Maharashtra)	1. Supervisory Technical Personnel Course	6 months	20 (Per batch)
			2. Artisan Training Course	2 months	20 (Per batch)
	2.	Technical Extension Service Centre, Khadi and V.I. Commission New Sahasradhara Road, Adhoiwala, P.O. Dehradun (U.P.)			20 (Per batch)
	3.	Technical Extension Service Centre, Khadi and V.I. Commission, P.O. Arpoorkara (East), Kottayam (Kerala)			20 (Per batch)

1	2	3	4	5	6
		4. Technical Extension Service Centre, Khadi and V.I. Commission Dhanola, P.O. Phulbari Hat, Dist. Jalpaiguri (W.B.)			20 (Per batch).
14. Biogas Scheme	1.	Wherever the plants are to be constructed the training is arranged on the spot itself	Construction and Maintenance course	3 weeks	
			In addition to the above course the training is provided for fibre glass holders and ferrocement digesters to the existing workshops, supervision, charges, workers as well as fresh trainees. The pattern for such training is same as that of construction and maintenance course		
		Whatever the plants are to be constructed the training is arranged on the spot itself	'Users' Training Course on Biogas (Women's Education Programme)		
15. Fruit and Vegetable Processing and Preservation and Canning Including Pickles	1.	Government Centres, Hotel Institute of Management and Catering Institute, Lucknow		6 months	10
	2.	Small Industries Service Institute, Trichur (Kerala)		3 months	10

CHAPTER 9

MARKETING

In Chapter 2 we pleaded for the adoption of market approach by the KVIC. We also noted the existence of the Directorate of Marketing in the Head Office. Here, we propose to discuss measures that will facilitate the implementation of the market approach which is of vital importance for expanding the KVI Sector and for ensuring the viability of different activities.

9.2 The KVIC set up the Directorate of Khadi Marketing in 1969 by reorganising the Directorate of Sales Development which it inherited from the All India Khadi and Village Industries Board in 1957. The Khadi Supply and Coordination Section which was looking after sub-standard khadi and another section which was in-charge of supplies to Government against accepted tenders (A.T.) were merged in the new Directorate. The Export Cell which was in-charge of khadi exports from 1963 to 1965 was also revived and made part of the Directorate. Thus the Directorate of Khadi Marketing began with the following functions : (a) supervision of Bhandars and Gramodyog Sale Depots; (b) Khadi Hundies; (c) exhibitions; (d) supervision of Khadi Gramodyog Bhavans; (e) administration of Special Rebates; (f) A. T. Supplies; and (g) exports and participation in international trade fairs. These functions underwent changes in course of time. The scheme of Khadi Hundies was terminated in 1964. The subject of A. T. supplies was shifted to the Directorate of Supplies to Government and Public Undertakings in 1972. The word "Khadi" was dropped from the name of the Directorate in July, 1973 presumably with a view to expanding the jurisdiction to cover the entire gamut of village industries. But the intended expansion did not take place as the Directorates in-charge of different village industries appear to have resisted successfully the proposal to divest them of the marketing functions. Further, as we shall see later, the Directorate could not outgrow its 'sales' background and come to grips with its wider responsibilities for marketing.

9.3 At present the main function of the Directorate of Marketing is to process the budgetary estimates of Khadi and Gramodyog Bhavans owned by the KVIC and the demands for assistance from the State Khadi and Village Industries Boards and directly aided institutions in respect of their sales activities. It scrutinises the demands with reference to the approved patterns of assistance and arranges to issue necessary sanctions. Proposals which are not in keeping with the approved patterns are also processed for orders by the KVIC. It arranges disbursements of working capital loans and recurring and non-recurring grants relating to the marketing programmes to the directly aided institutions. As regards loans for capital equipment, the Chief Accounts Officer makes releases by way of imprest upto the sanction given by the Directorate. It also obtains quarterly and annual reports from the implementing agencies. According to the organisational chart supplied to us the Directorate consists of the Director, two Assistant Directors one-in-charge of Marketing and the

other in-charge of A. T. supplies - one Accounts Officer, one Development Officer, (Marketing) and one supervisor (Marketing). The field staff consist of one Development Officer (Marketing) at Delhi and three Supervisors (Marketing), one each at Bangalore, Patna and Hyderabad. In addition, each of the Khadi Gramodyog Bhavans has its own staff with the Manager as its Head. The Director is required to report to one of the Dy. Chief Executive Officers who is nominally in-charge of the marketing function. Structured as above, the Directorate, it is obvious, is in no position to devote attention to marketing policy and planning or for that matter any work other than of a routine nature.

9.4 From its inception KVIC has followed the policy of encouraging the State Khadi and Village Industries Boards and the production units (be they registered institutions, co-operatives or individuals) to organise their own sales outlets and dispose of their finished goods through them or otherwise. For this purpose, it has been giving loans towards capital expenditure for buildings, furniture, fixtures and equipment and also towards working capital. Recurring and non-recurring grants are also being given on a tapering scale towards management expenses, sales staff and their training. If the small retail shops or counters maintained by the production centres with the permission of the Central Certification Committee are added, the total number of outlets will be around 14,330. The table 1 gives the break up of the State wise retail outlets. These outlets are described by different names such as Bhavans, bhandars, khadi krafts etc.

9.5 The Commission's direct intervention in the retail field is limited to some major cities and towns, 8 such outlets were in operation in 1986. The two metropolitan centres of Madras and Bombay were not included in this number. The Khadi and Gramodyog Bhavan, Madras which was started as a departmental unit was handed over by KVIC in September, 1969 to a Khadi Workers Organisation. The Bhavans at Bombay and Bangalore which originally belonged to KVIC were transferred to Bombay Suburban Village Industries Association, now Bombay Khadi & V. I. Association, in 1957-58 and Bhartiya Khadi Gramodyog Sangh, Tirupur on 1/10/1968 then again to Karnataka Khadi Gramodyog Samyukta Sangh (Federation) Hubli, respectively. Details relating to sales of Khadi and Village Industries products and the profits earned etc., by all the departmental Bhavans are given in the Annexe-I. Relevant figures of the Madras Bhavan for 1985-86 are also given separately in Annexe-II.

9.6 It may be added that all the bigger Bhavans and some of the other sales outlets have made arrangements for printing, dyeing, finishing and tailoring with a view to present value-added articles for sale to customers. For example, readymade garments which have proved to be popular have accounted for 42 per cent of sales in Delhi in 1986. Similarly in Madras the percentage was 22. The sales of handicraft articles are about 25 percent of the total sales. On this item, they generally enjoy higher margins than on KVI products. The organisation in-charge of some of the outlets have successfully adopted innovative practices such as opening of branches in other areas of their cities or towns, new designs and special

sales. In this context, mention may be made of Khadi Gramodyog Bhavan, Madras which maintains a home delivery service in the suburbs with the help of tricycles, special exhibition of toys in the festival season, canteen service for the visitors and supply of standardised food articles like masalas and snacks.

9.7 An important service that KVIC renders to the producers on its approved list is in regard to A. T. Supplies. It maintains liaison with the DGS & D and other purchase authorities of the Central Government with a view to procuring orders for KVI products and supervise their timely execution according to the agreed terms. Details of A. T. Supplies made during the last five years are given in Annexe-III.

9.8 As regards exports, the KVIC's main role is that of a registering authority. It also exports in some cases KVI goods on its own. It accords recognition to exporters so that they may claim the usual benefits and privileges. Their names and the value of exports during the last few years together with destinations are given in Annexe-IV.

9.9 It would be correct to describe the above activities of KVIC as sales-oriented rather than marketing-oriented. In other words, their focus is on selling what is produced rather than on finding out what is saleable and helping in organising the production of saleable items. It is only in regard to a few items, particularly those covered by A. T. supplies that the KVIC has tried to some extent to order production in accordance with the demands and preferences of the customers. It is unfortunate that the failure to orient its activities in accordance with the well-known concept of marketing as contrasted from that of sales has occurred, despite the caution and advice given from time to time by experts engaged by itself. We have in mind the Study of Khadi Marketing, Objectives, Strategy and Operational Policies (April 24, 1976) by Indian Institute of Management, Ahmedabad (IIMA), Village Industries Profile and Organisational Study (1974-75) by the Administrative Staff College of India, Hyderabad (ASCI) and the Report on Market Development Plan for Khadi and Village Industries, (1981) by Industrial Development Service, New Delhi (IDS). Our enquiries have shown that none of these reports were seriously considered by the KVIC. Recommendations of the second mentioned report was generally endorsed and forwarded to Government for further action, as the Study was undertaken at the specific request of the Government, particularly the Planning Commission. The matter rested there as the Government did not pursue it further. The other two reports fared no better, although they were prepared at the initiative and cost of the KVIC. We could not obtain any satisfactory explanation for the failure of the KVIC to consider the recommendations of IIMA and IDS Reports and take appropriate decisions.

9.10 It is interesting to note that the Standing Economic Advisory Committee of KVIC discussed the IIMA Report on May 5, 1979 and "felt that the recommendations are very useful and should be taken into consideration". It "felt unhappy about the delay in taking

necessary action on the report". Recognising the need to considerably strengthen the marketing system of the KVIC, it observed as follows :

- “1. There is a need to study the consumer preference and for this purpose, KVIC should ask Bhandars/Bhavans to watch the changing patterns of the demand. There should be an inbuilt system of study of consumer preference.
2. Any unsold produce remaining say for more than three months or more should be noted and reasons for the same may be ascertained.
3. Guidelines to remove the causes for slow movement of certain varieties may be publicised in Jagriti.
4. Attention may be drawn to the fast moving article either due to lower prices or better quality vis-a-vis the products of the large sector.
5. A proforma laying down some guidelines may be issued to the Bhandars/Bhavans and after collecting information it should be passed on to the producing institutions.
6. Institutions may be requested to consider switch over to change in pattern of production. The information may also be published in the form of a regular News Letter.
7. A study on the organisation of dyeing, printing, processing and tailoring for Khadi may be entrusted to some specialised institutions so as to induct improved processing of khadi (bleach, dyeing, mercerising, wash-n-wear, anti-shrink, printing, perma-press, tailoring, embroidery etc.).
8. Prices should be based on the principles of what the traffic can bear. The Committee felt that there is nothing wrong in having different sales pricing. Though KVIC is not having purely profit motive, there need be no reluctance to charge much for higher than cost price formula, which compares favourably with that of similar products of the large scale sector.
9. There is an increasing demand for printed ready-made garments, upholstery but this advantage was not being fully utilised. Therefore, item-wise consumer survey may be undertaken and production reoriented to market requirements.
10. A summary of khadi marketing report may be circulated amongst all the institutions.
11. The report may be placed before the Commission immediately for seeking orders for various recommendations.

12. The Indian Textile Committee may be approached for undertaking research for khadi on a regular basis.
13. A new bold and business like approach is necessary in marketing of khadi. This necessitates a new approach towards pricing, salesmanship, market outlets, designing, printing, processing, display etc.
14. The certification rules also need a fresh look which are out of tune with the present conditions.
15. The working capital formula for khadi requires a fresh look”.

9.11 The Economic Advisory Committee returned to the subject of marketing at its meeting on September, 3, 1979. This time, it suggested that “the Commission may consider the feasibility of setting up of a marketing Corporation for supply of raw-materials to the artisans and their institutions at reasonable prices in adequate quantity and purchase of finished products produced by the artisans”. It added : “Whether there should be any single marketing organisation for all commodities or whether there should be different marketing corporations has to be examined. Similarly, the nature of organisational structure of this marketing organisation and its modus operandi in the field will also have to be worked out. Such a corporation if set up should work under the overall supervision of KVIC. The Committee felt that when Batas, Dawood, Wimco etc., perform such functions effectively there should not be any difficulty for functioning of marketing corporations for KVI products.” KVIC was advised to consult Dr. Ravi Mathai of IIMA on the organisational structure and the modus operandi of the marketing corporation. The Economic Advisory Committee envisaged the possibility of bringing under the Corporation the artisans who are outside the KVIC field. Perhaps, it was in response to this pointed advice of this Committee that the KVIC entrusted the Industrial Development Services, New Delhi (IDS) to prepare a Market Development Plan for Khadi and Village Industries. IDS submitted its Report in 1981.

9.12 We believe that the main recommendations made by the Studies referred to earlier continue to be relevant in the present situation. We, therefore, give a brief account of them in the following paras.

9.13 First, as regards the Report of the IIMA Team on Khadi Marketing (1976) an extract from the Summary of Recommendations may be seen at Annexe V. This team carried out three Surveys: The All-India Study of urban Bhandars with special focus in readymade garments; the survey of distribution outlets in U. P., and the survey of consumers in Tamil Nadu. On the basis of these three field studies and desk research spread over three years, it recommended the setting up of a marketing organisation in KVIC with an Officer of the rank of Dy. Chief Executive Officer as its head and three Executives each in-charge of a separate function. These functions were identified as Commercial Operations, Marke-

ting Services and Marketing Planning. The duties to be performed under each function were specified as follows :

Commercial Operations	Marketing Services	Marketing Planning
1. Directly supervise the management of KVIC run Bhandars	1. Collect and analyse the information related to broad economic outlook and textile industry.	1. Engage in environmental scanning to find out the trends in the economy and textile industry
2. Execute and organise export sales	2. Periodically conduct market studies to delineate the consumer profiles, fast moving khadi items, etc.	2. Make long range plans for khadi products and markets.
3. Organise and operate regional / national clearing houses for khadi products	3. Design, organise and conduct courses for managerial and sales staff training	3. Identify new growth areas, products and market segments.
4. Organise and execute A.T. sales	4. Organise and execute design projects (for products, packaging, printing, interior design of Bhavans etc.) and disseminate the results of such studies to institutions.	4. (a) Do annual/quarterly planning for different product lines and regional markets. (b) Monitor the performance of khadi enterprise with respect to annual / quarterly plans.
	5. Supervise the field sales organisers.	5. Develop and monitor sales targets (product-wise, region-wise etc.)
	6. (a) Plan and execute advertising campaigns for corporate advertising. (b) Advise Institutions on advertising media, appeals etc., (c) Organise sales promotion campaigns and advise Institutions in this regard.	6. Prepare and monitor performance budget for KVIC marketing organisation.
	7. Feed the information, studies and analysis regarding various khadi products and markets to Marketing Planning Section.	

Commercial Operation	Marketing Services	Marketing Planning
	8. Conduct studies to analyse the reasons for good and bad performance of Institutions and feed this information to managements of Institutions.	
	9. Advise Institutions on number and proper location of distribution outlets.	

The Team found that the essential marketing tasks were not being performed effectively either by the Directorate of Khadi Marketing or by the other Directorates to whom some of the tasks have been allotted and emphasised that there should be a nodal point for the execution of all the marketing tasks. The Report visualised an important role for the marketing information system and marketing research. It also indicated the sources from which the basic data for information can be scanned, who should see, scan and process information from the report(s) that should be generated, for which managerial tasks and functionary/functionaries who would use it. The All India Survey of Bhandars brought out that one of the most acutely felt needs of Khadi Bhandars and institutions was a Central Clearing House Agency which could be used for the purpose of exchanging information about the availability of stocks in various parts of the country. Such a clearing house, it was felt, could also become the nerve centre in the exchange of information regarding new designs and trends in khadi readymade garments and the innovating marketing practices successfully tried out by some of the Bhandars and Khadi Bhavans.

9.14 The ASCI Report on Village Industries (1974-75) stated as follows :

“The marketing of village industries products is rather complex as the problems differ from product to product, unit to unit and also according to the consumer of the product - whether local, regional or international. There cannot be a general marketing strategy for the village industries products in view of the varied nature of the products, ranging from products of mass consumption, intermediate goods, goods for industrial use and also due to major differences between rural consumers, private and Government consumer, and national and international consumer. The marketing strategy has to be different depending on the nature of the commodity and the type of consumer. The success of the product of village industries in the market places depends on how effectively the various marketing skills are used in the number of complex activities beginning with the assessment of the need of the consumer, organising the production to meet the demand, processing, advertisement and publicity, culminating the sale of product of village industries”.

The Report recommended that a Market Research Cell be set up at the State Level "to help in estimating the quantity of demand according to the product, type of consumer and territory; identification of changing demand pattern and analysis and the impact of the Government policies on the demand of various products". It pleaded for creation of a new marketing organisation or for activating the existing ones assisted by the State Government. It proceeded to discuss in some detail the strategy for some selected products such as Ghani Oil, Fibre, Bee-Keeping, Village Pottery, Village Leather, Carpentry, Blacksmithy and Handmade Paper.

9.15 The third Report on a Market Development Plan by the Industrial Development Services (1981) consisted of three parts. The first part which dealt with marketing in metropolitan areas suggested detailed business plans for the Khadi Gramodyog Bhavans in Delhi, Bombay, Calcutta and Madras, as well as the organisational structures and other measures necessary for achieving the targets laid down in the business plans. The Report envisaged that the Bhavans at Delhi, Bombay, Madras and Calcutta can raise their total sales from their existing levels of Rs. 346, 319, 210 and 157 lakhs respectively to Rs. 900, 960, 650 and 450 lakhs, respectively by 1983 or 1984. The second part contained recommendations of the infrastructural facilities at the district level. The third part gave suggestions for improving the marketing organisation at the level of the KVIC.

9.16 The main finding of the second part of the IDS Report is that despite the existence of a large unsatisfied demand for products of village industries, particularly in urban markets, there is considerable unutilised production capacity in these industries due to the lack of organisation linking the producers with the markets. It advocated that Village Industries Supply Development Centres (VISDC) should be set up at the district level, with the specific purpose of stimulating production and expanding supply. The centres could also aid in deepening the local market, i.e. promoting sales locally within their areas of operation. According to the Report, the programme of VISDC may be launched on a pilot basis in selected districts, say 25 to 30 including the three districts studied in detail by the IDS (viz., Ahmedabad - Gujarat, Sitamarhi - Bihar, and Panipat - Haryana). The districts may be chosen on the basis of the number of artisans and village industries for whose products a sizeable demand has been observed, the existence of reasonably reliable local organisation and the principle of regional dispersal. A census of the products and artisans is to be carried-out in respect of the identified products and their profiles prepared for the purpose of classifying them into three categories, A, B & C. Those who can produce goods of requisite quality and do not require any additional equipment or upgrading of skill or supervision may be placed in category 'A'. Category 'B' will consist of those who require marginal additions to equipment or skills or have to be placed under nominal supervision for achieving the desired quality. Those who require equipment and skill in a substantial measure will be categorised as 'C'. Spearhead teams on the AMUL pattern should be set up for upgrading the 'B' and 'C' producers to the level of 'A' as soon as possible. The composition of the teams will of course have to be decided on the basis of the technical and organisational skills nece-

ssary for the kind of products and producers identified in a particular area. The members of the spearhead teams as well as others to be employed in connection with the pilot projects will have to be put through a specially designed training programme. As most of the steps envisaged are of a promotional nature, the KVIC should provide the necessary funds and personnel in the initial period of 3 to 5 years. The Report has, however, recommended that one of the existing non-Government Institutions in the area should be entrusted with the detailed work by the KVIC on an agency basis. If no such organisation exists in the selected district, the Report has added, immediate steps must be taken to develop one from the local talent available in the district. Considerable stress has been laid on this point on the ground that it would be desirable to encourage the activity to become independent of KVIC subsidy and support after the formative period, acquire its own strength and develop itself on commercial line in due course. A Committee of Direction has been suggested for monitoring the progress from time to time, so that the lessons of the pilot programme can be learnt for future use in other districts. Annexe A of the Volume II of the Report contains suggestions on the core organisation for the VISDC. It envisages the District Organiser, as the head, with five officers to assist him, a Supply Officer, a Product Development Officer, an Institutional Development Officer, a Marketing Officer and the Administrative and Finance Officer. Provision also exists for Block Level Organisers and Assistants for procurement, stores, local sales, sales outside the district and development of new outlets. The annual cost of the organisation was estimated at Rs. 3.03 lakhs in the first year and Rs. 3.78 lakhs in the third year.

9.17 The third part of the Report made the following points in regard to the role of KVIC in marketing and the organisation required for fulfilling it :

- (a) The role of KVIC will not be one of direct trading but of providing the necessary inputs such as promotional aids, market research and other market development measures to increase sales;
- (b) It should identify target markets and maintain a proper rural/urban balance in its marketing efforts. More effort is required for deepening the rural market. This is in line with the need to study the village 'hats' or bazars and to maximise sales in local markets which was stressed in the second part of the Report in the context of VISDC;
- (c) The present pricing policy should be made more flexible so as to meet widely differing situations;
- (d) Outlets certified by KVIC must be permitted to stock and sell selected factory-made consumer goods which do not compete with KVI products. This is necessary for improving the viability and efficiency of the operations as well as customer service;
- (e) Freight equalisation system should be adopted in order to promote sales of products of remote areas;

- (f) It should enter into marketing arrangements with other similar organisations for sale of KVI products e.g. Consumer Co-operatives, Emporia, Handloom depots etc.;
- (g) It must establish a corporate identity both in domestic and international markets and should spend atleast 1 per cent of its turnover annually on sales promotion. Rebate on sales should be spread over the year at different times rather than be concentrated at one or two times, in the interest of reducing inventories and improving the utilisation of existing outlets and other resources;
- (h) It should plan to ~~take~~ goods to the consumers and for this purpose set up retail outlets at the village level through its aided institutions. It must attempt to cover villages with a population of over 2,000 in a five year period. The additional outlets necessary for this purpose were estimated to be about 33,000 and
- (i) KVIC's present marketing set up will have to be reorganised and strengthened substantially. It should create a Market Development Board (MDB) composed of some of its Members and Experts from academic and other professional organisations to assist it in planning and monitoring its marketing effort. An officer of the rank of Dy. Chief Executive Officer (Marketing) will be the Secretary of the MDB, and the entire marketing functions should be placed under his supervision. The marketing work may be organised by departments under the Dy. Chief Executive Officer as follows :
 - (i) Planning Department;
 - (ii) Coordination Department;
 - (iii) Sales Promotion Department;
 - (iv) Market Research Department;
 - (v) Institutional Sales Department and
 - (vi) Exports Department.

The Report went into considerable detail about the subjects to be dealt with in each of the departments and the personnel of different kinds required for the purpose. It also presented an estimate of the cost of the new organisation.

9.18 After reviewing the above Reports we tried to organise a quick survey for updating the available information, determining the market size of selected KVI products and gauging the preferences and attitudes of consumers towards these products. Four products were selected (cotton khadi, edible oils, village foot-wear and processed cereals and pulses). The Indian Market Research Bureau with whom we discussed the matter agreed to conduct this survey in 8 States (Uttar Pradesh, Bihar, Rajasthan, Karnataka, Tamil Nadu, Andhra Pradesh, Haryana and Maharashtra), which accounted for 72 per cent of all sales depots

approved by KVIC and 75 per cent of the All India sales of KVI products. It was proposed that within these 8 States all the urban areas and all the villages with population of above 2,000 will be stratified and 168 villages will be selected for the rural survey and 45 towns of different sizes for urban survey. The total number of samples was fixed at 11,390 (Rural 5,040 and Urban 6,350). The survey was to be completed in about 20 weeks at a total cost of Rs. 10.9 lakhs. We thought that on the basis of the up-to-date information revealed by the Survey, we would be in a position to suggest a detailed plan of action for streamlining the marketing organisation and strategies of KVIC and the institutions assisted by it. This idea was, however, given up in May, 1986 for two reasons; first, the delay in getting the necessary sanction for the expenditure and hence in actually starting the field survey made it extremely doubtful for us to receive atleast the top-line findings in time to deliberate on them and frame our recommendations, and second, because we felt that a survey of this kind would be really useful if follow up action was assured and that KVIC, which alone could give this assurance, should be left free to take the decision at the appropriate time. A passing Review Committee could hardly press for the comprehensive survey beyond a point. We, therefore, decided to make do with the available data.

9.19 It is clear from the above discussion that although several expert groups before us had presented detailed blueprints for reorganising and strengthening the marketing set up of KVIC, neither the Government nor the KVIC had been able to take the necessary basic decisions. In these circumstances, we thought that there would be no purpose in undertaking another detailed exercise in the same direction and that it should be sufficient for the present if we indicated our views on the more important aspect of the marketing organisation and policy. A complete plan of action can be worked out by experts once the basic decision to reorganise is taken by the competent authority.

9.20 We affirm that it is essential to set up a nodal agency under the KVIC for the performance of all the marketing tasks. As the previous attempts to make suitable adjustments within the present administrative set up have failed, partly due to the resistance of existing Directorates and partly due to the difficulties in finding a suitable person with the necessary qualifications and background on the existing scales of pay, it would be advisable to make a clean break and create a separate Corporation under the aegis of KVIC. This could take the form of a Statutory Corporation or a Company under the Companies Act. As the success of the Corporation will depend greatly on the leadership to be provided by the Managing Director, it should be ensured that he has the necessary ability, experience and qualification in marketing by offering attractive terms. To facilitate coordination, the Chairman, KVIC may be made the Chairman of the Corporation and the Managing Director of the Corporation a Member of the KVIC. It may be recalled that in Chapter 3 we have advised the inclusion of a person with the knowledge of marketing as a member of the Commission. The Managing Director of the Marketing Corporation may be considered for nomination against this position. If for any reason, it is not possible to nominate him as member, he may be specially invited by the Commission to all its meetings. It may be ensured that the

Member of the Commission with the knowledge of marketing is nominated in turn as Member of the Board of the Marketing Corporation or given the status of a permanent invitee. The Board of Directors of the Corporation may consist of five others bringing up the total to 7. The five may include the Chief Executive Officer, KVIC, three representatives of the KVI organisations running the Bhavans and Bhandars and one marketing expert from a reputed academic organisation. It may be added that the idea of setting up a Corporation for marketing is not entirely new. It was originally recommended by the Economic Advisory Committee of the KVIC in 1979. A variant of this was proposed by IDS in its Report of 1981 under the name and style of Market Development Board. We are not in favour of MDB which being a mere creature of the KVIC with advisory functions, can be put into suspended animation at will by KVIC. Having seen how KVIC has dealt with its Advisory Committees, we would hesitate to support such a Board for managing the important function of marketing.

9.21 The functions of the Corporation will be (i) to organise market research; (ii) to supply market intelligence to all selling and producing organisations in the KVI sector; (iii) to set up infrastructural facilities for sales outlets; (iv) to manage sales outlets at selected important centres; (v) to establish and manage common facilities for processing and finishing wherever necessary; (vi) to prepare marketing plans annually as well as for the medium term; (vii) to arrange supply of raw materials in accordance with the marketing plans; (viii) to establish standards of quality and enforce compliance therewith and (ix) to take all steps necessary for promoting exports of KVI products.

9.22 The Corporation must be suitably funded for carrying out the above listed functions. To start with, it may have a capital of Rs. 10 crores for investment in the physical facilities that are essential. It should be possible for the Corporation to plan its working capital needs from the banks. We have been given to understand that the Corporation's scheme to assist the dispersed rural artisans in upgrading their products and in marketing them will be favourably viewed by friendly foreign Governments for bilateral aid under the broad heading "Rural Development". This avenue deserves to be explored, once the basic decisions on the marketing set up are taken.

9.23 To begin with, the Corporation will have three departments, Commercial Operations, Marketing Services and Marketing Planning, as envisaged by IIMA Team (1976). The six departments identified by IDS Report, 1981 can be suitably fitted into the three proposed departments. The question whether each of the six subjects of IDS deserves to be given the status of a separate department can be considered in due course.

9.24 One of the first steps to be taken by the Corporation is to organise the market information system. Although many useful suggestions are available in the IIMA Report (1976), it would be worthwhile to engage an expert to draw up the details in the light of the latest developments. The information system will include not only the collection of information

by the centre from the periphery but also the dissemination of market intelligence amongst the units at the periphery viz; the sales outlets and the producers who feed these outlets.

9.25 The importance of Market Research cannot be over-emphasised. This will reveal the trends of consumer behaviour, their preferences for certain products, the possibility of introducing new products or new designs in old products and other essential facts that have to be fed into the production system. We would urge that a systematic survey be conducted, more or less on the lines indicated in para 9.18, with a view to discovering the characteristics of the present patrons and their expectations as well as the points that will attract new consumers. For example, the readymade garments of cotton khadi which have already captured the imagination of the customers have a bright future. This segment of the market can be expanded if reliable information is available about consumer attitudes while organising market research. It is necessary to bear in mind the admonition of the ASCI Report (1974-75) that in the case of village industries products research cells should be at the State level so that they can pay adequate attention to the peculiarities of the different industries and the artisans engaged in them. Further, it is known that a large part of the village industries programme is being implemented under the guidance of the State Khadi and Village Industries Boards. It will be useful to identify the States in which certain Village Industries are concentrated and research cells organised jointly with the Boards concerned.

9.26 The Corporation should draw up a time bound programme to ensure opening of sales outlets in all urban centres and all villages with population of 2000 and above. It may directly manage the outlets in the metropolitan cities and other important centres. As regards the remaining, the aim should be to entrust the management to local institutions as far as possible. For this purpose, the KVIG and the Corporation should encourage producing institutions to form federations at the State level and provide common services including marketing. There is a great scope for experimenting with the terms on which such agencies can be granted. The present pattern of giving grants and loans need not be the only method, while the Corporation may own land and buildings where the outlets are located, it may give them on lease for a period to the local institutions or agencies for organising sales. IDS has estimated that 33,000 additional outlets of a small size are required for covering rural areas. As regards urban centres, about 1,100 additional outlets are necessary if one outlet is planned for every lakh of population. Considering the exorbitant costs involved in acquiring shopping space in urban centres, it is advisable to try the mobile outlet scheme. Khadi Gramodyog Bhavan, Madras has already demonstrated the viability of this scheme. One need not always prefer trucks or vans for gaining mobility. The lowly tricycles are still useful and may be tried. It will help if IRDP recognises this as one of the eligible modes of self-employment to be assisted. Ministry of Rural Development may issue necessary instructions to DRDAs to include it on their scheme of infrastructure.

9.27 The Corporation should avoid the temptation of buying goods centrally and trans-

porting them to different sales outlets. It should minimise its role in physical handling of goods. It should be possible for the Corporation to provide the necessary information of stocks at different places in the country and facilitate the establishment of direct contacts between different organisations managing the outlets.

9.28 In regard to cotton khadi and other goods which are in need of processing (such as dyeing, printing, finishing etc.) the Corporation should undertake the responsibility of negotiating suitable contracts with the firms offering the services. It may also set up and manage such common facilities for the use of producers or the sales outlets in the area. The old scheme of Vastragars should be revived after making suitable modifications. In planning Vastragars, it should be borne in mind that a Vastragar is not a mere store of goods or even the manager of certain physical facilities, but a centre of market intelligence. Considering that nearly 75 per cent of cotton khadi is now being sold in the form of printed, dyed and fabricated products in some Bhavans, the Vastragars are bound to play a very important role. Its operations must be entrusted to specialists well-versed in the processes concerned. It may be run departmentally by the Corporation or by a competent local organisation. It should not be handed over to a federation merely on the ground that it is common to all the institutions in the area. Competence should be the main criterion. In the case of village industries also, a similar organisation should be evolved for post-production processing wherever necessary. Adequate margins, say 4 per cent for Central Vastragars at State level and 3 per cent for regional Vastragars, must be provided for example in the case of khadi.

9.29 As regards readymade garments, the Corporations may take the initiative in supplying designs and appropriate advice, leaving the actual tailoring and the procurement of materials to the outlets concerned. This is an area which has a vast scope for development. For example several Bhavans have not even touched the fringe of the market for readymade garments for children.

9.30 The Corporation should bring the Managers of the outlets and the producing institutions together atleast once a year say in June, so that the producers will come to know the consumer preferences in time and plan their production accordingly. If necessary such conferences may be arranged twice in a year.

9.31 As one of the main difficulties of the artisans employed in village industries relates to supply of raw materials, the Corporation should undertake a programme for ensuring adequate and timely supply. The procurement, storage and supply of raw materials raises serious problems. It is necessary for the Corporation to go about it in a cautious manner. Past experience of KVIC in maintaining stocks of oilseeds and other raw materials for village industries should be carefully evaluated before embarking on a new scheme for procurement and storage of raw materials. In this context we support the proposal of starting a pilot project more or less on the lines suggested by IDS in the Second Volume of its Report of

1981. The concept of Village Industries Supply Development Centre prima-facie appears to be attractive. A similar idea was also recommended by the National Committee on Backward Areas. It is worthwhile to try it out in some districts on a pilot basis.

9.32 At present, KVIC operates a cotton supply scheme and a merino wool import scheme. It is logical to transfer these schemes to the Corporation. Similar action is called for in the case of mother units for processing cotton and supplying slivers to spinners and soap base to soap workers.

9.33 As a great deal depends on the viability of the sales outlets, there should be greater flexibility in regard to the stocking of goods for sale. As recommended by the Economic Advisory Committee in 1979 and IDS in 1981 there should be no objection to the KVIC sales outlets dealing in non-competitive non-KVI goods. Care may be taken to study the implications of this step in regard to liability under Income Tax and Sales Tax laws before actual implementation. As stocking involves working capital and concessional financial assistance a list of these goods may be drawn up and kept under constant review.

9.34 On the pricing policy of KVI goods, there is no particular merit in strictly adhering to the cost price formula, and in refraining from fixing prices in accordance with the principle of what the traffic can bear. At the present moment, same products procured from different producers and through a different number of channels carry different prices, which causes confusion in the minds of the consumers. The sales outlets must be enabled to adopt a rational pricing policy product wise and take resort to pooling, if necessary. As the main objective of the existing pricing policy is to allow margins at fixed rates at every level and to ensure reasonable prices for the consumer, excess margins are generally frowned upon and the surpluses arising therefrom are often required to be refunded. This leaves no incentive for the sales force to improve the viability of the sales outlet. It should not be beyond the ingenuity of the Corporation to evolve a system by which surpluses generated as a result of the adoption of the principle, what the traffic can bear, are shared by the sales outlets on the one hand and the producing institutions which have supplied the goods on the other. This may be tried on selective basis.

9.35 The question is sometime asked why sale of khadi and village industries products are restricted to a few bhavans and bhandars recognised by the KVIC. Those who raise this question also argue that one of the methods of improving sales and thus increasing production is to make the product available through normal trade channels. We have considered this aspect carefully. We are of the view that while sale of khadi products should continue to be confined to recognised outlets in view of the need to ensure purity of the product and to avoid malpractices in regard to rebates, there should be no objection to allowing the normal trade channels to deal in the products of village industries. In fact we have been assured that this is precisely the policy of the KVIC. In practice, however, very few of the products of village industries produced by institutions assisted by KVIC or State KVIBs are actually

found in the ordinary shops. Perhaps there are some practical difficulties relating to retail margins, commissions etc. Besides, the volume of production is not perhaps big enough for the producing institution to offer attractive terms to the ordinary dealers to stock and sell these goods. It is also true that some of the bhavans and bhandars have been jealously guarding their supply lines and do object to the enlisting of other retailers on the ground that their present reputation for supply of quality goods will be diluted. These attitudes will have to undergo a change once production becomes sizeable and bigger than what the present approved channels can handle. For the present, therefore, it will be sufficient if the principle of making village industries products available through trade channels is re-emphasised. We may even go further and suggest that some khadi readymade garments may be released for sale through selected trade channels on an experimental basis after taking adequate steps in regard to brand name, logo etc. It is not difficult to find a suitable procedure for avoiding abuse of the rebate provision. Some other khadi products may also be thrown open in due course after gaining some experience. Further as recommended by other groups before us, the outlets of similar organisations like Handloom Cooperatives, General Co-operative Stores and the public distribution system, may be permitted to sell KVI goods.

9.36 We would like to emphasise the need for utilising the marketing agencies of the private sector wherever possible for the disposal of village industries products. An interesting case came to our notice. Bata Shoe Co., offered to place orders on village industries units through the KVIC for supply of shoe brushes, if the units are willing to make supplies according to specifications and prices agreed to. This offer is still under negotiations at the time of writing this Report. We have mentioned this only with a view to point out that the new Corporation should think in terms of utilising the existing channels, irrespective of the nature of their ownership, provided, suitable commercial terms can be settled. As the village industries products present a wide variety, it will not be correct for the Corporation to think of undertaking their marketing entirely through its own channels. It should keep its eyes and ears open to make use of available channels on proper terms. Different marketing strategies have to be evolved for different products of village industries.

9.37 The Corporation has to organise training in salesmanship and display (interior as well as window). The second kind of training has not received much attention so far. The existing training courses for salesmen have to be revamped so that all salesmen are put through a refresher course of a short duration of three months in the major emporia.

9.38 Sales promotion, through well planned publicity, holding of exhibitions and special campaigns, is an area in which a great deal remains to be done. It is essential that a certain percentage is earmarked for this purpose as stressed by IDS in its Report. Exhibitions have to be held at different levels — District, State and All India. They will have to be planned properly and conducted regularly so that customers can anticipate them and extend their patronage for the products exhibited. It is desirable to locate exhibition units at the State

level instead of concentrating them at the level of the KVIC. The Exhibition Wing will have to be equipped not only with the usual kits but also audio-visual material, particularly relating to important activities of the institutions which have successfully implemented the programme. There is scope for holding small exhibition-cum-sales in selected industrial establishments, educational institutions and in local fairs and festivals. Suitable grants will have to be made available to the registered institutions or other agencies that are entrusted with the task of holding these exhibitions.

9.39 Rebate on sales is an important sales promotion device. We will discuss this aspect in Chapter 14 on Policy Support.

9.40 As regards establishment of standards of quality and enforcing compliance therewith, KVIC has adopted several measures in the past. Some examples may be cited. In the case of cotton yarn, standards relating to evenness, strength and twist have been prescribed. As regards cotton cloth the number of picks and ends have been laid down. Brand names like 'KUTIR' and 'VANASHREE' have been evolved for toilet soaps along with specifications. Honey is being Agmarked. ISI mark has been obtained for the improved bee boxes. However, it would be correct to say that standards are still to be fixed in respect of a large number of products and that even in the case of those for which standards have been prescribed, the arrangements for testing are not satisfactory. There is no statistical quality control system worth the name. Very little work has been done in respect of packaging which in several cases would be the best method of ensuring faithfully that the declared quality has been presented. In fact, a Committee appointed by the KVIC in 1976 to go into the complaints of deterioration in quality and durability of khadi of all kinds has stated : "It appears that due to the laxity of supervision all these methods of quality control have disappeared". It has been explained that the KVIC did not have the adequate supervisory staff to check the quality of products before they were procured for sale in the departmental bhavans, or against bulk orders obtained. It is no doubt true that quality control is a complex subject and it has become even more complex for KVIC due to the facts that the number of products is large, their production is dispersed widely in the country among small units with few resources and the cost of enforcement per unit of product is often prohibitive. It is against this background that the KVIC and the Marketing Corporation will have to examine afresh how to create and maintain the reputation that the sales outlets recognised by the KVIC do in fact offer goods of quality.

9.41 The first step is, of course, to lay down standards which are verifiable. For this purpose it should adopt comparable standards, if any, laid down by other organisations like ISI and AGMARK. The second step is to give publicity to these standards and educate the producers in the need for and the ways and means of adhering to them. Adoption of the appropriate technology, stages of caution to be observed in the production process, drawing of samples for testing and the utility of maintaining the testing equipment etc., are some of the points on which emphasis has to be laid during the training of the artisans and

the Managers. The third step is to ensure that at the time of procurement for sale in the departmental or certified outlets, samples are drawn regularly and got tested in recognised laboratories. The Central Testing Laboratory at Nasik and the Regional Laboratories that KVIC set up should be carefully reviewed for the adequacy of their facilities and procedures. Instances have been reported in which results of tests are not being communicated in time to the concerned persons although samples have been sent. It is possible that the sampling procedures were also not satisfactory. These aspects will have to be looked into carefully and corrective steps taken. Last but not the least is the need for introducing the system under which failures to adhere to the standards should be invariably followed by penalties. At any rate the Corporation to be set up by the KVIC should set an example by not accepting for sale in its outlets, any items which fail to pass the standard tests. Such firm action will send proper signals to all persons and will trigger greater awareness and respect for quality.

9.42 While looking at the data relating to the Departmental Bhavans in major cities, we have come across a list of trading units. Two lists (one for Khadi and the other Village Industries) together with a short note may be seen vide Annexe—VI. There were 137 such units in 1985-86, 28 of them having been classified as dead. Some of them are very old. There appears to be no justification for continuing a large number of them such as the production and sales units started in Hill, Border and Weaker Section Areas from 1965-66, woollen khadi production and sale unit at Srinagar, the NEO and Soap unit, Leather units, bulk purchase and supply of honey units and departmental Cottage Match unit also deserve to be terminated as neither a local organisation nor an association of employees has come forward to take them over, in accordance with the decision taken by the KVIC in 1981-82. We have referred to these trading units because, if and when the Marketing Corporation comes into being it will be logical to transfer the relevant activity to it. But before doing so, it is desirable to take appropriate decisions about the continuance of each of these units. No unit that has no justification for continuance should be transferred to the Corporation. Further, the earlier the so called dead units are closed in all respects the better for KVIC.

9.43 Having begun this Chapter with the need for a market approach, we may end it with the following message of MAHATMA GANDHI which the Khadi Gramodyog Sangh, Madras chose to display prominently in its special hand-out : "A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so".

TABLE 1 (Para 9.4)

**Statement showing list of Production-cum-Sales Centres and G. S. Depots
as on 31-3-1986**

Sr.	States and Union Territories	No. of production- cum-Sales Centres	No. of Sales Depots
1.	Andhra Pradesh	554	264
2.	Assam	117	74
3.	Bihar	930	334
4.	Gujarat	576	401
5.	Haryana	715	86
6.	Himachal Pradesh	79	27
7.	Jammu & Kashmir	173	23
8.	Karnataka	753	367
9.	Kerala	377	503
10.	Madhya Pradesh	222	112
11.	Maharashtra	150	176
12.	Manipur	35	17
13.	Meqhalaya	—	3
14.	Nagaland	—	3
15.	Orissa	122	106
16.	Punjab	452	113
17.	Rajasthan	695	442
18.	Sikkim	7	10
19.	Tamil Nadu	624	514
20.	Tripura	19	8
21.	Uttar Pradesh	2,176	1,037
22.	West Bengal	631	217
Total I		9,407	4,837
II.	Union Territories		
1.	Chandigarh	12	3
2.	Delhi	47	19
3.	Goa, Daman & Diu	1	4
Total II		60	26
Total I + II		9,467	4,863
Grand Total		14,330	

ANNEXE I (Para 9.5)

Position of Departmental Bhavans for 1985-86

(Rs. in lakhs)

		Delhi	Culcutta	Bhopal	Goa	Erna- kulam	Gramshilpa, New Delhi	Ahmedabad Vastragar
Khadi								
(1) Cotton	R. S.	121.54	55.84	10.41	4.57	19.46	14.38	0.13
	W. S.	11.51	12.73	9.26	—	13.77	10.71	171.10
	Total	133.05	68.57	19.67	4.57	33.23	25.09	171.23
(2) Silk	R. S.	100.77	64.58	6.60	1.11	11.05	18.60	0.17
	W. S.	6.13	29.20	1.08	—	4.18	8.45	1.74
	Total	106.90	93.78	7.68	1.11	15.23	27.05	1.91
(3) Woollen	R. S.	64.50	5.38	5.63	—	0.08	6.43	0.07
	W. S.	39.81	1.16	1.57	—	—	0.15	7.12
	Total	104.31	6.54	7.20	—	0.08	6.58	7.19
(4) V. I.	R. S.	3.36	10.08	3.30	1.51	21.09	8.85	0.09
	W. S.	0.56	2.27	1.79	—	3.13	0.11	14.92
	Total	3.92	12.35	5.09	1.51	24.22	8.96	15.01
(5) Handi- crafts	R. S.	46.40	3.27	0.13	1.93	8.15	3.95	—
	W. S.	0.24	0.81	—	—	0.82	—	—
	Total	46.64	4.08	0.13	1.93	8.97	3.95	—
(6) Ready- made	R. S.	163.27	23.50	7.12	1.47	3.96	12.11	—
	W. S.	2.39	3.31	0.30	—	0.15	1.01	—
	Total	165.66	26.81	7.42	1.47	4.11	13.12	—
Profit/loss		12.50 (P)	0.75 (L)	0.03 (P)	0.21 (P)	0.29 (P)	0.39 (P)	0.68(P).

- (1) Deptt. Khadi Gramodyog Bhavan, Bombay was transferred to Bombay Suburban V. I. Association, Bombay, now Bombay Khadi & V. I. Association (direct dealing institution of KVIC) in about 1957-58.
- (2) Deptt. Khadi Gramodyog Bhavan, Bangalore was transferred to Bharatiya Khadi Gramodyog Sangh, Tirupur w. c. f. 1-10-68 and then again it was transferred to Karnataka Khadi Gramodyog Samyukta Sangh (Federation), Hubli.

ANNEXE II (Para 9.5)

**Khadi Gramodyog Bhavan
844, Anna Salai, Madras-2
Retail Sales During 1985-86**

(Figures in lakhs)

Place	Khadi Cotton	Khadi Silk	Woo- llen	Ready made	V. I.	Poly- Vastra	Poly. ready made	Handi- crafts	Publi- cation	Saran- jam	Total
Bhavan, 844, Anna Salai, Madras.	63.40	32.96	15.19	30.11	48.54	3.61	1.84	36.23	0.54	0.04	232.46
Gramodyog, Bazar 236, Avvai Shanmugam Salai, Madras-86.	4.68	0.43	0.12	3.21	14.07	0.26	0.28	1.82	—	—	24.87
Indira Nagar Shopping Centre Madras-20.	—	—	—	—	6.36	—	—	0.07	—	—	6.43
Gramodyog Centre, Parson's Complex Madras-600 006.	—	—	—	—	1.51	—	—	0.28	—	—	1.79
Total	68.08	33.39	15.31	33.32	70.48	3.87	2.12	38.40	0.54	0.04	265.55

ANNEXE II (Para 9.5)

**Khadi Gramodyog Bhavan
844, Anna Salai, Madras-2**

Wholesale sales during 1985-86 (Rs. in lakhs)

Khadi Cotton	44.34
Khadi Silk	27.10
Khadi Woollen	0.59
Khadi Readymade	6.35
V. I. products	1.72
Handicrafts	0.09
Polyvastra	3.89
Poly. Readymade	0.11
Total	84.19

TURNOVER :

(Retail sales + Wholesale sales)

Khadi Cotton	112.42	36.67
Khadi Silk	60.49	8.88
Khadi Woollen	15.90	—
Khadi Readymade	39.67	25.81
V. I. Products	72.20	8.32
Handicrafts	38.49	—
Polyvastra	7.76	1.67
Poly. Readymades	2.23	1.54
Publication	0.54	—
Saranjam	0.04	—

Total	349.74	82.89
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	Amount	Percentage
Retail sales	265.55	76%
Wholesale sales	84.19	24%
Total	349.74	

Profit earned :

Gross profit	Rs.	39.55
Net profit	Rs.	1.53

ANNEXE III (Para 9.7)

A. T. SUPPLIES

(Rs. in crores)

Item	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Khadi	4.69	3.46	2.16	1.17	2.49	3.20
V.I.	0.09	0.58	0.63	0.09	0.18	0.67
Total	4.78	4.04	2.79	1.26	2.67	3.87

ANNEXE IV (Para 9.8)

Statement showing exports made by registered exporters from 81-82 to 85-86

Sr. No.	Name of Exporters/ Industry	Destination	Products exported	Value Rs.	Year
1	2	3	4	5	6
1.	Directorate of Leather	Italy	Kolhapuri Chappals	7,77,625.00	1981-82
2.	Cotton Khadi	Japan	Khadi Garments	1,85,000.00	1981-82
3.	Palmgur	U.S.A., Gulf and European countries	Palm Fibre	30,33,000.00	1981-82
4.	P.C.P.I.	U.S.A., U.K.	Papad	84,05,000.00	1981-82
5.	Handmade Paper	Canada, U.S.A., Australia	Handmade Drawing Paper	6,00,000.00	1981-82
6.	Cane and Bamboo	U.K.	N.A.	N.A.	
Total :				1,30,00,625.00	
1.	Palmgur Industry	North America, Australia, Belgium, Denmark, France, Finland, Holland, Ireland, U.K.	Palmyrah Fibre and Stalks	30,24,000.00	1982-83
	Palmgur Industry	Holland, W. Germany, U.K. Middle East, United States of America	Palmleaf, Eark, Naar articles, palmsheets, Date palm articles	4,90,000.00	1982-83
2.	Handmade Paper Industry	W. Germany, U.K., U.S.A., Australia	White Drawing Paper	12,200.00	1982-83
3.	Alison's Exports	Japan	Handloom fabrics	3,67,675.00	1982-83
4.	PCP Industry	Singapore, Hongkong, Middle East	Papad	1,38,000.00	1982-83
Total :				40,31,875.00	
1.	Handmade Paper Industry	U.S.A.	Handmade Drawing Paper	11,700.00	1983-84
2.	Palmgur Industry	America (North), Canada, U.K. Holland, Denmark, France, Italy, Malaysia, W. Ger- many, Australia, New Zealand	Palm Fibre Palmleaf articles	41,29,000.00 3,76,000.00	1983-84 1983-84
Total :				45,16,700.00	

1	2	3	4	5	6
1.	P.C.P.I.	U.K., U.S.A. and Middle East	Papad	1,39,46,000.00	1984-85
2.	Sunderban Khadi and V.I. Society	U.K., Holland, West Germany, Norway, U.S.A.	Silk Khadi Scarf and Dress Material	1,22,047.00	1984-85
3.	Tandon Brothers	Japan	Cotton Khadi, Woollen Garments	18,358.00	1984- 85
4.	Armayesh International	London	Khadi Bandis	7,800.00	1984-85
	Armayesh International	London	Khadi Dhurries	992.00	1984-85
5.	Alison's Export	Japan	Cotton Khadi	56,458.00	1984-85
Total :				1,41,51,655.00	
1.	Tandon Brothers	U.K.	Cotton, Woollen and Silk Garments	55,966.00	1985-86
2.	Alison's Exports	Japan	Cotton Khadi and Silk Khadi	1,40,000.00	1985-86
3.	Sunderban Khadi and V.I. Society	Holland, Scotland, Germany, U.K.	Silk Khadi	1,79,928.00	1985-86
Total :				3,75,894.00	

ANNEXE IV (Para 9.8)

LIST OF REGISTERED EXPORTERS AS ON 31-12-1986

1. Century Rayon, Industry House, 159, Churchgate Reclamation, Bombay-400 020.
2. Pereira's International Agency, 10, Hunter Lane, Veperry, Madras-600 112.
3. Sunderban Khadi and V.I. Society, No. 1, Dighirpar, Canning Town, 24-Parganas, West Bengal.
4. Multipurpose Khadi Association, H.D. Thangmeiband, Sinam Leikai, Imphal (Manipur).
5. Tamil Nadu Khadi and V.I. Board, Kuralagam, Madras-600 108.
6. Tandon Brothers, Bhola Niketan, 59, Sondhi Tola, Chowk, Lucknow-226 003 (U.P.).
7. Klassik Garments Pvt. Ltd., 72-73, Nariman Bhavan, Nariman Point, Bombay-400 021.
8. Armayesh International, Advani Chambers, Plot No. 41, Room No. 9/13, 2nd floor, Sir P. M. Road, Bombay-400 001.
9. Alok Mohan Prasad, Sushila Sadan, Siromtoli (New Garden), Yogananda Path, Ranchi-834 001, Bihar.

SUMMARY OF RECOMMENDATIONS OF THE REPORT OF IIMA

On the basis of our analysis of overall objectives of the Khadi movement, and the strategic requirements flowing from these objectives, we have made several recommendations pertaining to Product Policy, Pricing, Promotion, Distribution, Marketing, Organisation and Marketing Information System. In this section, these recommendations are summed up in a very concise form to enable the policy makers at KVIC to have a birds' eye-view of the major outcome of this project.

Recommendations related to Product Policy

With regard to Product Policy, our major recommendation is that the growth opportunities of Khadi should be systematically analysed both on the basis of its representation in a particular textile product category and on the analysis of the various market segments. Specifically, growth opportunities seem to be open in the following areas :

1. Low cost wearables (sarrees, dhoties and garments) for the needy and indigent section of the market.
2. Highly standardised manufacture and improved marketing of selected Khadi readymades which offer sufficient variety in relation to prices and design.
3. High value fashion items crafted out of the finer varieties of Cotton Khadi and Silk, and designed to appeal to the fashion conscious segment.
4. Items capitalising on the tropical suitability of the Khadi fabric and appealing to the young urban market segments.

Of course, these opportunities do not exhaust the whole range of growth possibilities which exist for Khadi. We strongly recommend that the product category and market segment analysis suggested in Section I of Chapter II should be carried out for the entire range of Khadi products.

Recommendations Related to Pricing

We recommend a pricing policy which allows a degree of flexibility to the Bhandars and yet does not contradict important sub-objectives of the Khadi enterprise such as catering to the needy and remain non-profiteering. Specifically, we recommend a pricing policy in which different categories of Khadi products are allowed different ranges of margins. We also recommend a reasonable formula for the distribution of surplus earnings (over and above current levels of margins). This formula has been designed to offer incentives to the production works, the sales workers, and to generate funds for promotion purposes.

Recommendations Related to Promotion

In the area of Promotion, our basic recommendation is that the Commission should undertake a systematic analysis of its communication tasks with respect to the various public (e.g. Government Policy Makers, Opinion Leaders, Khadi Artisans and Consumers). The communication strategy (media and appeals) for each target public should be developed on the basis of communication tasks analysed earlier. Specifically, with respect to consumer promotion, we recommend that :

1. The budget of consumer promotion should be increased to approximately half per cent of the sales of Khadi;
2. Specific promotional strategies for corporate advertising, product advertising, cooperative advertising and sales promotion should be drawn up;
3. A distinctive logo and trade mark should be selected to establish and consolidate unique product image for Khadi.

Recommendations Relating to Distribution

With respect to Khadi distribution, we recommend that :

1. Commercial textile outlets and mail order channels should not be used at this stage because they are not compatible with the requirements of Khadi marketing.
2. The institution owned outlets should continue to be the mainstay of the Khadi distribution system. The provision for opening Khadi agencies should be utilised to a much greater extent. The sales limit on agencies should be raised to a level between Rs. 2 and 3 lakhs per year.
3. Outlets of Handloom and Handicraft Boards and Consumer Cooperatives should be used to gain distribution of Khadi in under-represented areas.
4. Location of new outlets should be on the basis of market potential for Khadi in a market area. The Commission should play an active role in promoting outlets in under-represented areas. Also, the Commission should offer advisory services to the institutions regarding outlet location.
5. The pattern of Khadi outlets in any market area should be streamlined so as to have one central Bhandar and several satellite Bhandars to adequately cover the territory.
6. Regional centres which could serve as clearing houses for Khadi stocks and marketing information should be opened.
7. Khadi outlets should have a distinctive and common identification.
8. Khadi outlets should be allowed to carry fast moving consumer products, if these do not compete with Khadi and Village Industries products.

Recommendations Relating to Marketing Organisation and Information System

The implementation of the above recommendations would require that an effective Marketing Organisation be created at the KVIC level. This would entail :

1. The bringing together under one category of commercial operations, all the activities where KVIC is directly involved commercially like Khadi exports, A. T. sales, supervision of KVIC Bhavans, etc.,
2. The creation of **Marketing planning function** for developing marketing plans for cotton, woollen and silk khadi for readymade garments and new products.
3. The integration and coordination of disparate marketing activities such as Khadi, publicity, sales training of khadi workers, marketing research pertaining to Khadi products, sales promotion through exhibitions, consumer promotion, outlet location, etc., and offering of advisory and consultancy services to institutions under the organisational category of **Marketing Services**.
4. To achieve proper coordination, the commercial operations, marketing services and the marketing planning functions should be directly supervised by the Deputy Chief Executive Officer of Khadi.

The Marketing Information System should be designed to aid planning, control feedback and evaluation tasks. A detailed information system outlining data sources, processor of data, user categories, frequency of reports, etc. has been proposed.

We believe that the recommendations offered would help revitalise the marketing of Khadi and achieve the objectives of economically viable employment.

ANNEXE VI (Para 9.42)

Note on General Analysis of the Trading Units under Khadi and Village Industries Activities Run Departmentally by the KVIC showing the Working Capital Investment, Schematic Grants and Loans given from year to year, Sundry Debtors and Creditors and the Closing Stock Positions for the last 2 years — 1984-85 and 1985-86

The comparative position of Assets and Liabilities in respect of the 137 units (including 28 "Dead" units) is given below in brief :

(Rs. in lakhs)				
	1984-85	Total	1985-86	Total
(A) Working Capital Account				
(a) Khadi	3,345.29		3,378.67	
(b) V.I.	874.31	(4,219.60)	796.11	(4,174.78)
(B) Schematic Grants and Loans				
(a) Khadi	104.66		148.86	
(b) V.I.	40.72	(145.38)	32.15	(181.01)

	1984-85	Total	1985-86	Total
(C) Sundry Creditors				
(a) Khadi	501.17		500.82	
(b) V.I.	138.88	(640.05)	118.89	(619.71)
(D) Reserves				
(a) Khadi	185.73		190.12	
(b) V.I.	135.27	(321.00)	135.98	(326.10)
(E) Artisan Benefit Fund				
(a) Khadi	1.73		4.67	
(b) V.I.	Nil	(1.73)	Nil	(4.67)
(F) Stock Excess				
(a) Khadi	136.57		154.91	
(b) V.I.	8.44	(145.01)	11.96	(166.87)
(G) Assets (Movable and Immovable at depreciated value)				
(a) Khadi	66.88		71.67	
(b) V.I.	21.20	(99.08)	20.43	(92.10)
(H) Sundry Debtors				
(a) Khadi	1,816.37		1,261.89	
(b) V.I.	386.22	(2,202.59)	262.79	(1,524.68)
(I) Advances and Deposits				
(a) Khadi	500.15		1,934.68	
(b) V.I.	183.53	(683.68)	240.64	(2,175.32)
(J) Closing Stock				
(a) Khadi	139.07		254.53	
(b) V.I.	20.08	(159.15)	22.15	(276.68)
(K) Stock Shortages				
(a) Khadi	53.56		63.05	
(b) V.I.	9.89	(63.45)	14.23	(77.28)
(L) Cash and Bank Balances				
(a) Khadi	769.14		493.46	
(b) V.I.	292.64	(1,061.78)	331.04	(824.50)

The performance of the working units during 1984-85 and 1985-86 is summarised below :

	1984-85		1985-86	
	Khadi	V.I.	Khadi	V.I.
(a) Production	811.45	71.74	992.47	113.95
(b) Purchases	2,740.57	676.68	3,142.88	654.31
(c) Sale	2,903.88	679.66	3,365.82	666.59

From the above financial data, it would be seen that inspite of liberal financing, Khadi Production and Sales are not at all commensurate with the investments and the funds are being blocked with Debtors and closing Stocks, even though the Officers incharge of the Trading activity have been categorically informed that they would be held responsible for allowing Credit Sales and thereby blocking up of funds with Debtors. They should not allow credit sales indiscriminately and should recover the dues within 90 days of the normal credit period. But unfortunately such instructions are not being heeded to and sales are being effected on credit basis indiscriminately. Added to this, the Incharges are not even caring to write to the Debtors yearly to get confirmations of the dues and to adopt speedy and effective measures to recover the same. This has already resulted in heavy losses particularly in respect of defunct departmental Khadi Units, particularly Kakinada Trading Activity and D. T. A. Calcutta, involving lakhs of rupees becoming irrecoverable because of no track of Debtors.

There is complete laxity in supervision and maintenance of Accounts in the manner expected that has contributed to a great extent to indulgence in malpractices and pilferages of dead stock articles, finished products, resulting in embezzlements and stock shortages particularly in respect of the production/sale Units working in the Hill, Border and Weaker Sections Areas.

Even in the case of other working units both under Khadi and V. I. activities, it is seen that Officer-incharges of those Units are not ensuring proper assignment of work and responsibility in writing by following the procedure prescribed and by taking certain steps to secure cash and stocks by getting the relevant staff members covered by Fidelity Guarantee Bond, appropriately to the extent of the risk involved.

Even the cash books, ledgers and stock books are not written every day properly and kept up-to-date.

Even the big K. G. Bhavans at Delhi & Calcutta are not maintaining Stock Books itemwise making it impossible to verify the stocks and tally the physical stock position with the Stock Book position. This has already resulted in acute and chronic stock shortages involving lakhs of rupees (in the case of Calcutta Bhavan the stock shortage has exceeded Rs. 34 lakhs). It is a well known fact that the reason for shortages are totally different from the reasons for stock excesses. In spite of repeated warnings and instructions the Managers of the Bhavans and the In-charges of the Trading Units have failed to stop this phenomena and to reconcile the position of "excesses" and "shortages".

Apart from what is stated above, about stock excesses and stock shortages other major problems about these departmental units are (1) "Credit Sales" and (2) "Credit Purchases" going on unabatedly and unauthorisedly from year to year without any control from the Head Office. The In-charge of the Bhavans and Production Units, for all practical

purposes take that they are whole and sole authority to do anything as they like on the ground that they have the discretionary power.

Regarding the Assets created, the position is explained below :—

Under “Khadi Activity” the value of machinery, equipment as well as fixed assets such as work-sheds, godowns etc. was Rs. 66.88 lakhs and by the end of 1985-86 the total value of assets had gone upto Rs. 71.67 lakhs. This is of course a depreciated value. In so far as the V. I. Units are concerned, the value of assets created upto 1984-85 was Rs.21.20 lakhs. Because there was no addition, the depreciated value at the end of 1985-86 was Rs. 20.43 lakhs only.

Regarding the Profit & Loss position, it may be clarified that during the year 1984-85 the Khadi Units had shown mixed results in as much as some of the Production Units working in Hill, Border & Weaker Section Areas had suffered a total loss of Rs. 5.48 lakhs as against the other production and sales units accounting for a net profit of Rs. 13.38 lakhs, resulting in a net profit of Rs. 8.15 lakhs. Regarding the V. I. activity it may be clarified that a net loss of Rs. 5.48 lakhs was suffered during that year, only because a sum of Rs. 20 lakhs was required to be provided for meeting the Sales Tax liability to the Government of Tamil Nadu. At the end of 1985-86 Khadi Production and major sales units had earned a profit of Rs. 18.95 lakhs which had to be reduced to Rs. 12.77 lakhs because of the losses suffered by the Production Units in Hill, Border and Weaker Section Areas amounting to Rs. 8.73 lakhs. Under V. I. as there was no need to make any provision to meet the liability of Sales Tax the activity had shown a net profit of Rs. 8.73 lakhs. Even this profit is more or less on paper only because the salaries of the regular staff attending to the V. I. Units were and are not being charged to the respective Profit & Loss Accounts and regular interest @ 4% on working capital made available is not being remitted to the Commission.

In the case of Production and Sales Unit of the Hill, Border & Weaker Section Areas the Commission had been sanctioning Establishment Grants to the extent of deficits for meeting the establishment expenditure. In spite of such liberal financing many Units have shown losses on account of other reasons such as not charging adequate margin, poor production and sales etc.

It may, however, be admitted that only the following Departmental Units are showing substantial profits.

1. H. M. P. Unit
2. N. E. O. & Soap Unit at Nasik and
3. Leather Units

The reasons are as under :—

1. HMP : The H.M.P Unit at Mahalaxmi is the only stocking unit and not producing one. The Hand Made Paper is stocked mainly for the consumption of the Head Office of the KVIC. Because of the monopoly, there is no question of quotations. Whatever rate is quoted by the Unit, it is accepted and paid for without exercising any price control.
2. NEO & SOAP : Regarding the profits being earned by the NEO & SOAP Unit, it is also mainly due to monopoly supply of Soap Base from its Nasik Units to the various Toilet Soap Making Units at the prices quoted by the Unit without having any competition with any other Unit. Regarding the finished product of Toilet Soap Cake they are being supplied to the Army as per fixed rate contract. Some malpractices are also going on such as mixture of tallow etc.
3. Leather Units : Regarding the Leather Units, it is already observed and recorded that the Units have been charging margins without any restrictions/ reservation from 20% to 65%. This aspect is, however, being looked into as already approved by the Chairman.

**Statement Showing the Number of Accounts Audited and Finalised for the year
1985-86 in Respect of Khadi**

Sr. No.	Name of the Trading Unit
1.	Khadi Gramodyog Bhavan, New Delhi
2.	Khadi Gramodyog Bhavan, Madras
3.	Khadi Gramodyog Bhavan, Calcutta (including South Calcutta)
4.	Khadi Gramodyog Bhavan, Bangalore
5.	Khadi Gramodyog Bhavan, Panjim (Goa)
6.	Khadi Gramodyog Bhavan, Bhopal
7.	The Director, K. V. I. (including R. O. Kohima) Commission, Gauhati
8.	Khadi Gramodyog Bhavan, Alipurdwar
9.	Khadi Gramodyog Bhavan, Ernakulam, Cochin
10.	Khadi Gramodyog Bhavan, Burdwan
11.	Khadi Gramodyog Bhavan, Itanagar
12.	Production and Sales, In Andhra Pradesh (The Director, Kakinada, Cotton & Production & Production & Sale a/c)

Sr. No.	Name of the Trading Unit
13.	In Kashmir (The Director, Srinagar)
14.	The Director, Bhopal (Rewa Defunct)
15.	Director, Trading Activities, Calcutta(DTA)
16.	Saranjam Karyalaya, Nasik
17.	Central Supply Committee, A. T. Bombay
18.	Purchase of Surplus Khadi Stock, A. T.
19.	Trading Activity, Shillong
20.	R. O. Silchar.
Ambar Charkha Programme	
21.	Ambar Charkha Production (Director, C & B)
22.	The Director, New Model Metal Charkhas Section, Bombay
Cotton & Wool Purchase	
23.	Director, Cotton, Bombay
24.	Director, Wool, Bombay
Hill, Border, Tribal & Weaker Section	
25.	Deputy Director, Assam (Imphal & Rampur) (Endi Production Centre & Imprest)
26.	Regional Office, Bikaner.
27.	Assistant Director, Rampur Buser, Simla, R. O. Mandi
28.	Assistant Director, Pithoragarh
29.	Assistant Director, Uttar Kashi (Rishikesh)
30.	Assistant Director, Agartala
31.	Regional Office, Siliguri/Gram Shilpa, Darjeeling
32.	Assistant Director (Andaman & Nicobar)
33.	Regional Office, Jagdalpur
34.	Regional Office, Radhanpur
35.	Director, North Eastern States, Imphal, K. G. B., Aizawl
36.	Director, Hyderabad (N. M. C.)
37.	Director, Hyderabad, Kambal Purchase
38.	Director, Hyderabad (Ways & Means A/c)

Sr. No.	Name of the Trading Unit
39.	Director, Patna (Cotton, Wool, Cocoon)
40.	Director, Patna N.M.C. (Spare parts)
41.	Director, Patna (Flood Relief)
42.	Director, Imphal (N.M.C. A/C)
43.	Regional Office, Silvassa, Dadra & Nagar Haveli.
44.	Director, Ahmedabad (Vastragar)
45.	Trading Activity Special Programme, Ahmedabad.
46.	The Director, Ambala (Purchase of Stamps)
47.	The S. O. Jammu, J & K (Defunct) A/c
48.	Director, Ambala (Ways & Means, Cotton A/c, Rehabilitation of Refugees)
49.	Director, Kerala N.M.C. & W.C. Kani Mangalam
50.	Director, Trivandrum, N.M.C. Spare parts
	(a) Director, Trivandrum NMC A/cs.
	(b) Director, Trivandrum (Muslin Khadi)
51.	Director, Bangalore (Godown Arrangement)
52.	The Director, Bangalore (Ways & Means)
53.	Director, Bangalore Wool Purchase
54.	The Director, Bhopal (Cocoon Purchase)
55.	Director, Bhopal, Ways & Means
56.	Director, Bhopal, N.M.C. Spare Parts
57.	Director, Wardha (Research Institute) (Dreet)
58.	Khadi Gramodyog Vidyalaya, Nasik
59.	Director, K. S. C. (Cannanore Scheme)
	(a) Export Promotion
	(b) Polyester Khadi
	(c) Irwin Building
60.	Director, Cotton Khadi Silver Jubilee A/c
61.	The Director, Maharashtra Kambal Purchase
62.	The Director, Bhubaneswar (Cotton and Tr. Khadi)
63.	(a) Cotton Khadi (Ways & Means), Bhubaneswar.
	(b) Production Centre, Nandapur
64.	Director, Bhubaneswar, N.M.C. Spare Parts

Sr. No.	Name of the Trading Unit
65.	Director, Bhubaneswar, Cocoon Purchase
66.	Director, Lucknow, Traditional Khadi (Ways & Means)
67.	(a) Tr. Khadi (Defunct) (b) Hardwari Kambal Unit (Meerut), Muzaffar Nagar (c) Cotton, Ways & Means (Meerut)
68.	Director, Lucknow, N.M.C. Spare Parts
69.	Director, Lucknow, Flood relief No. Account, Director, Lucknow, (New) Special Programme
70.	Director, Calcutta, New Model Centre (Six Spindle Charkha Scheme)
71.	Director, Calcutta, Pilot Project
72.	The Director, Calcutta (N.M.C. A/c)
73.	Director, Calcutta (Advance for Sunderban Area)
74.	Director, Calcutta, Khirpai Unit
75.	The Director (Ways & Means), Bhopal
76.	The Director, Calcutta (Flood Relief)
77.	The Director, Calcutta (Sales Tax)
78.	The Director, Calcutta (Muslin Khadi/Programme)
79.	Regional Office, Shillong, Meghalaya (New)
80.	Regional Office, Itanagar (New)
81.	State Office, Chandigarh (Ways & Means)
82.	Director, Varanasi (Ways & Means)
83.	Regional Office, Meerut (Ways & Means Wool)
84.	Cocoon Purchase, Patna
85.	Ways & Means, Patna
86.	Central Vastragar, Bhubaneswar
87.	Nine Shops In Morya Com., Patna
88.	Ways & Means (Silk), Calcutta

**Statement Showing the Number of Accounts Audited and Finalised for
the year 1985-86 in respect of Village Industries**

Sr. No.	Name of the Unit
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VILLAGE INDUSTRIES

1. Director, Hand Made Paper, Khadi & V. I. Commission, Bombay
2. Kailash Hath Kaagaz Kendra, Dehra Dun
3. Director, Non-Edible Oils & Soap Industry, Khadi & V. I. Commission, Bombay
4. Director, Pottery Industry, KVIC, Bombay
5. Central Village Pottery Institute, Khanapur
6. Director, State Office, Khadi & V. I. Commission, Lucknow.
7. Director, Cottage Match Industry, Khadi & V. I. Commission, Bombay
8. Director, Carpentry & Blacksmithy Industry, Khadi & V. I. Commission, Bombay
9. Director, Processing of Cereals and Pulses, KVIC, Bombay
10. Director, Beekeeping Industry, Khadi & V. I. Commission, Bombay
11. Hon. Adviser, Regional Office, KVIC, Goa
12. Asstt. Director, KVIC, Agartala
13. Regional Office, Hill & Border area, KVIC, Mandi
14. Director, KVIC, Calcutta
15. Director, Leather Industry, KVIC, Bombay Unit-I.
16. Asstt. Director, KVIC, Pithoragarh
17. Director, Village Oil Industry, KVIC, Bombay
18. Director, Lime Manufacturing Industry, KVIC, Bombay, Dehra Dun Unit
19. Ambar Saranjam Bhandar, Ahmedabad
20. KVIC, Bhubaneswar (Processing of Cereals & Pulses Industry) (Sonapur)
21. Director, Palm Gur Industry, KVIC, Bombay (Dahanu-Unit)
22. Bharatiya Tad Gur Shilpa Bhavan, Dahanu (Defunct)
23. Director, Fibre Industry, KVIC, Bombay
24. Regional Office, KVIC, Siliguri (W.B.)
25. Director, Palm Gur Industry, Regional Products Pilot Station, KVIC, Kumarappa-
puram
26. Director, Gur & Khandsari Industry, KVIC, Bombay
27. Director, Palm Gur Neera Catering Scheme, New Delhi

Sr. No.	Name of the Unit
28.	Director, Palm Gur, KVIC, Bombay (Palm Gur Trading Industry), (State Office, Bhopal)
29.	State Office, KVIC, Trivandrum (Kerala) (Fibre Industry)
30.	Director, Gobar Gas, KVIC, Bombay
31.	Gram Shilpa, K. G. Bhavan, New Sales Emporium, Irwin Road, Baba Kharak Singh Marg, New Delhi-1.
32.	Director, State Office, KVIC, Madras (Cottage Match), Raw Material
33.	Industrial Production Centre of KVIC, Gandhi Darshan, State Office, New Delhi
34.	Regional Office, Dadra, Nagar Haveli, P. O. Silvassa, Vapi (Gujarat)
35.	Regional Office, Kohima (NEO & Soap Industry)
36.	Director, State Office, Hyderabad, Palm Gur Industry
37.	Regional Office, KVIC, Jagdalpur
38.	Director, State Office, Lucknow, Improving the performance of S. K. V. Samiti, Varanasi (V. I. Ways & Means)
39.	Director, State Office, Bihar (Palm Gur Industries, Patna)
40.	Director, State Office, KVIC, Ambala Leather Industry
41.	Director, State Office, KVIC, Jaipur (Beekeeping)
42.	Director, Regional Office, KVIC, Varanasi (Beekeeping)
43.	Director, KVIC, Haldwani, Nainital (U. P.) (Match)
44.	Director, State Office, Khadi Commission, Bhopal (M. P.) (Beekeeping)
45.	Beekeeping, Bhopal
46.	C & B, Bangalore
47.	Beekeeping, Ahmedabad
48.	Director, Khadi Commission (Regional Office), Meerut, Beekeeping.

CHAPTER 10

INFORMATION SYSTEM AND MONITORING

The present information system of KVIC has been built up mainly for the purpose of fulfilling its basic obligations as a statutory body that owes its existence to an Act of Parliament viz : to submit a report at the end of the financial year giving a full account of its activities, policy and programmes (Section 24); to submit monthly returns on accounts and quarterly progress reports on khadi and village industries (Rule 33); and to supply information to Parliament or special reports on demand by Parliamentary Committees and other Central authorities (Rule 34). A look at the annual Administration Reports and Statistical Publications regularly brought out by the KVIC will convince anyone of the success it has achieved in this regard. But, of late, doubts have arisen in certain quarters about the adequacy of the system and the resulting statistics for the broader purposes of planning the development of the KVI sector as a whole and the monitoring the implementation of the plan. In this Chapter, the Committee has tried to explore the possibility of improving the system and filling the gaps, particularly in the context of the new definition of village industries and the expanded role envisaged by us for KVIC.

10.2 Annexe I gives the organogram of the present information system. The State Boards and the directly assisted institutions are required to furnish quarterly and annual reports to the State Directors of KVIC in the prescribed form. While the quarterly report proforma is a simple one, covering minimum details on disbursement, production, sales, employment and earnings, the annual report proforma is comprehensive covering additional aspects such as the extent of coverage of SC & ST, women's participation, the number of persons trained, centres/units set up, distribution of tools, equipment, machines etc. The State Director is primarily responsible for preparing, collecting and analysing the trends of progress so far as directly aided institutions are concerned. The State Board is responsible for compilation and collection of data in regard to khadi and village industries activities under its purview. The State Director consolidates the information received from both sources industrywise, after due scrutiny by his technical staff. He forwards the same to the respective Industry Directors at the Head Office. The latter, in turn, process the information on the basis of certain norms, compile and tabulate the same Statewise. Alongwith their comments, they forward the statements to the Directorate of Economic Research for further analysis and onward submission to the KVIC and Government. To enable the Industry/State/Programme Directors to undertake scrutiny of the information, the Directorate of Economic Research of KVIC has posted Economic Investigators with them at the Head Office and at the State Offices. Thus the primary information which emanates from the field institutions at the grass root level is compiled after scrutiny at more than one stage under the overall guidance and help of the trained staff of the Directorate of Economic Research.

10.3 As regards the method of collection of data, it may be noted that in the case of institutions and co-operatives whether under the KVIC or the State Boards, full count basis is adopted whereas in the case of individual artisans engaged in village industries, a random sample of 10 to 20 per cent is taken as the base as it is not possible to collect information from all the assisted individuals. Khadi statistics are based on a full count system as the programme is entirely covered by the institutions. KVIC has standardised the proformae for its quarterly and annual reports and kept them as simple as possible. For example, the size of quarterly report to be submitted by the field units is not more than that of a postcard. It has also tried to cross-check the information with other data such as licences in the palm gur industry. Training has been intensified and joint inspections undertaken alongwith the State Boards on a selective basis. The Directorate of Economic Research in the KVIC also undertakes special studies from time to time. 127 such studies have been completed so far and they being problem-oriented, have been found to be very useful in formulating policies.

10.4 However, the following deficiencies have been pointed out by the working Group on KVIC (1984) :

- (i) the data received from the State Boards are incomplete in coverage and often do not stand the test of scrutiny;
- (ii) the information in some cases is received too late to be used in the decision-making process;
- (iii) there is no data on the precise nature and type of the labour input ratio, whether full time or part time, seasonal or continuous, self-employed or wage-based, main or subsidiary means of livelihood etc. This creates difficulties in arriving at indicators such as per capita annual earnings, productivity etc.,
- (iv) information available is confined to units helped by the KVIC and there is no data for the industry as a whole. This gap exists in most of the traditional industries like village pottery, village leather, carpentry and blacksmithy, fibre, apiary etc. In other words, the size of the universe is unknown;
- (v) lack of correlation between the disbursement of funds on the one hand and production, sales, employment and earnings on the other. While the data on disbursement are largely complete, the data for other aspects of physical performance are inadequate. A further complication is regional variations;
- (vi) very little information is available about contribution by individual artisans and their families in the form of tools, equipment, working capital etc. and
- (vii) assisted units stop reporting once further assistance is stopped e.g. soap manufacture and bee-keeping.

10.5 Earlier, the Public Accounts Committee of Parliament (7th Lok Sabha) in its 52nd report of 1980-81 directed that KVIC should strengthen its machinery for collection of quarterly reports and set up Monitoring Boards under the Chairmanship of the State Director of KVIC. The observation of the PAC is reproduced below :

“The Committee is distressed to note that, inspite of the assurance given by the KVIC only 5 out of 25 State KVI Boards had been inspected by them upto 1st December, 1979. The Committee note that a Monitoring Board in each State under the Chairmanship of the respective State Director of KVIC is proposed to be set up for monitoring and concurrent evaluation of programme in KVI sector. The Committee also note that the Commission had intimated that a system of quarterly reporting by the State Boards had been introduced. The Committee desire that this quarterly reporting be made more effective so as to enable the Commission to evaluate properly the progress of implementation of the programme”. Accordingly, out of 22 States and 9 Union Territories, in 21 States and 2 Union Territories, such Monitoring Boards have been set up. KVIC is pursuing with other State Governments for setting up of such Monitoring Boards. However, it is found that these Monitoring Boards are not meeting as frequently as required and there is considerable scope for making them, more effective instruments for monitoring the programme at the field level.

10.6 With a view to study the data collection machinery under the KVIC, a small internal study group was set up in 1981 to go into the details of the problems and suggest suitable methodology for collection of quarterly data. This group came to the conclusion that steps like systematisation of procedure, fixation of responsibility, simplification of ~~pro-~~formae and creation of scrutiny mechanism have not made much headway. By and large, the entire system suffers from inadequate coverage, erratic flow, time gap and absence of required data at any given time. It suffers due to non-inclusion of data on performance of individual artisans. The widely dispersed character of the activities has compounded the problem. Therefore, this group recommended a model in which the industries, including khadi are selected in different States on the basis of their contribution to the level of 75 to 80 per cent in all-India performance. Selected industries in each State would be, as far as possible, be covered by the State Economic Investigators to the extent of 75 to 80 per cent and make up the remaining gap by the estimation basis on actual reports of past performance. In regard to remaining industries, not falling within the ambit of the model, the annual reports flowing in the existing system, would be sent to the concerned Industry Directors. In regard to khadi, State Investigators would compile the reports and forward to the khadi directorate. For covering the artisans under the State Boards in village industries, a 10 per cent sample would be adequate.

10.7 Although the model suggested by the small group was circulated to all the State Offices and State Boards for implementation in 1982, we find that this has not been followed by any of the State Offices either because of lack of understanding of the model or lack of

initiative. We are aware that it is not possible to have 100 per cent coverage of all the assisted units. At some stage, sampling technique may have to be adopted and this could be on the basis of A B C formula which is largely followed for such diverse types of respondents. This method, we are sure, may help solve the problem to some extent.

10.8 KVIC and the State Boards have at their command some tools for ensuring proper furnishing of information by the field units. The controlling tools include recoupment of sales rebate, according fiscal concessions, utilisation and certification audit, according purchase preference from the State Government, provision of additional finance etc. However, these controlling tools are not being used by the State Offices for ensuring the flow of information. We would urge that these should be used effectively and further release of finance and other concessions should be linked with furnishing of required information. In the case of khadi, there is a regular tie with the KVIC. In village industries, such regular tie up does not exist in many cases because it is usually in the nature of one time finance. But this should not create difficulty because the institutions are linked with KVIC for some assistance or the other, such as technical support, raw materials and marketing and other concessions. Even in the case of artisans, we have recommended that, as far as possible, they should be linked up with some other cover organisations like Block Level Co-operatives. If this scheme materialises, the respondents for furnishing the information would be the institution or co-operative as the case may be. The task of monitoring would then be easier than at present.

10.9 We appreciate that the task of timely data collection has become difficult due to multiplicity of schemes and complex nature of activities. Some of the institutions, of late, have also taken recourse to institutional finance. As has been pointed out, some of the State Boards and institutions are getting involved in various schemes of the State Governments such as IRDP, Special Component Plan, Tribal Sub-Plan, DPAP etc. Therefore, there is apprehension that there would be some amount of duplication in reporting. To avoid this difficulty, we suggest that while primary information should be collected from a single point the first stage of compilation should also be concentrated at one point. Since DRDAs and DICs have come up in all the States, perhaps this responsibility can be entrusted to either DRDAs or DICs. The District Village Industries Officer has become an integral part of DIC in some States. How the field level data collection machinery can be created to avoid overlapping needs to be examined further in consultation with several agencies engaged in the task of rural development. We understand that the Ministry of Rural Development has taken up a major project in the Seventh Plan with a total outlay of Rs. 10 crores to streamline the rural information system. It is known as Computerised Rural Information Project (CRISP). To begin with 10, it will be introduced gradually in 150 districts by 1990. KVI being rural employment oriented is eminently suited for inclusion in CRISP. In this connection we were informed by the Secretary, Ministry of Agriculture, Department of Rural Development, Government of India that "the scheme has not yet been implemented fully due to various reasons. Khadi and village industries sector will naturally form a part

of information to be collected and maintained through CRISP". We recommend that the Government may look into the matter for evolving suitable arrangements at the grass root level for collection of information about the KVI sector through the CRISP.

10.10 While interpreting the available statistics, we have to bear in mind several limitations and peculiarities inherent in KVI sector. Some of them are as follows : We have come across instances where there is disinclination on the part of units to furnish accurate information and to resort to under-reporting with a view to evading taxes. We also found that in some cases non-commercial production is totally excluded. This is especially so in the case of industries where services are provided like carpentry and blacksmithy, leather, processing of cereals and pulses. In the case of artisans who work on their own account and whose earnings are residual in character, a correct picture about their production and income is not available. The exact data on the input of labour is also not available due to work habits of the artisans which change from industry to industry, person to person and region to region. We have also come across difficulties in classification of employment. In some cases, the employment is full time for the whole of the year or a part of the year, in some cases it is part time throughout the year and in some cases, it is part time for a part of the year. We have not been able to work out the frequency distribution of input of labour by artisans and workers engaged in KVI. Therefore, it is difficult to establish any correlation between the employment, productivity and wages. Apparently, it gives an impression that KVI artisans are getting very low wages or earnings which may not be true as input of labour is relatively less. It is incorrect to presume that artisans are entirely dependent upon this particular activity alone. Many of them are engaged in agriculture and allied activities, or attend to household work.

10.11 The Planning Commission once asked the KVIC to estimate employment in KVI in terms of "standard person years" (computed on the basis of employment for a person for 273 days in a year with 8 hours work per day). Accordingly, KVIC on the basis of its experience, fixed the norms for conversion of part time employment into full time employment for working out its employment in terms of 'standard person years'. This conversion table may be seen at Annexe II.

10.12 Our attention has been drawn to the Khusro Committee set up by the Planning Commission to suggest improvements in the data base for the decentralised sector. Chief Executive Officer, KVIC is a member of this Standing Committee. It recommended that supporting organisations should cross-check the data available with them in terms of number of units, location etc. with the data flowing from the Economic Census 1980 and take steps to explain the discrepancies, if any, between the two. Further, the supporting organisations are required to supplement the efforts of CSO/NSSO by additional sample surveys for generating data at the final level of geographical and sectoral disaggregation. The CSO and the State Statistical Bureau were given the responsibility for co-ordinating the efforts.

of the different organisations for providing technical assistance in framing questionnaires and sample surveys schemes and for presenting the results in a comparable form.

10.13 We support these recommendations. Further, we would like the KVIC to process the KVI data from the Economic Census and make it available through its publications to all concerned. The KVIC should also pursue with the central data collecting agencies such as Census of India, Economic Census, NSSO and CSO to include in their schedules and questionnaires certain basic items that relate to the rural artisans population, the nature of their activities and their earnings. Further, the KVIC should conduct or provide financial assistance to other agencies to conduct sample surveys at periodic intervals to meet a specific data need and update the data available from Census. At least one such survey in a 10 year period preferably in the middle of the two census should be conducted. For this purpose, it may follow a multi-stage sampling procedure with a cluster of villages within a Panchayat as the ultimate unit. It may resort to complete enumeration in the selected Panchayats.

10.14 Recently, KVIC commissioned a Professor of IIT, Bombay to prepare a feasibility report on computerising the information system. According to the report, the principal benefits of computerisation are likely to be as follows :

- (i) elimination of redundancy in record keeping which would eliminate moving of transactions across sector boundaries and duplication of recording efforts. The delay in processing of transaction would be significantly reduced. Moreover, this eliminates problems of inconsistencies in records of different sections;
- (ii) reduction or elimination of the need for internal reconciliation which mainly arises due to duplication of records in different (sub) sections and
- (iii) sharing of data by different sections. This data would always be upto date since entering of data is carried out at only one place. As soon as data is entered, it is available for use by other sections. With computers, it is also possible to give controlled access to data so that the different sections see only that part which is relevant to them.

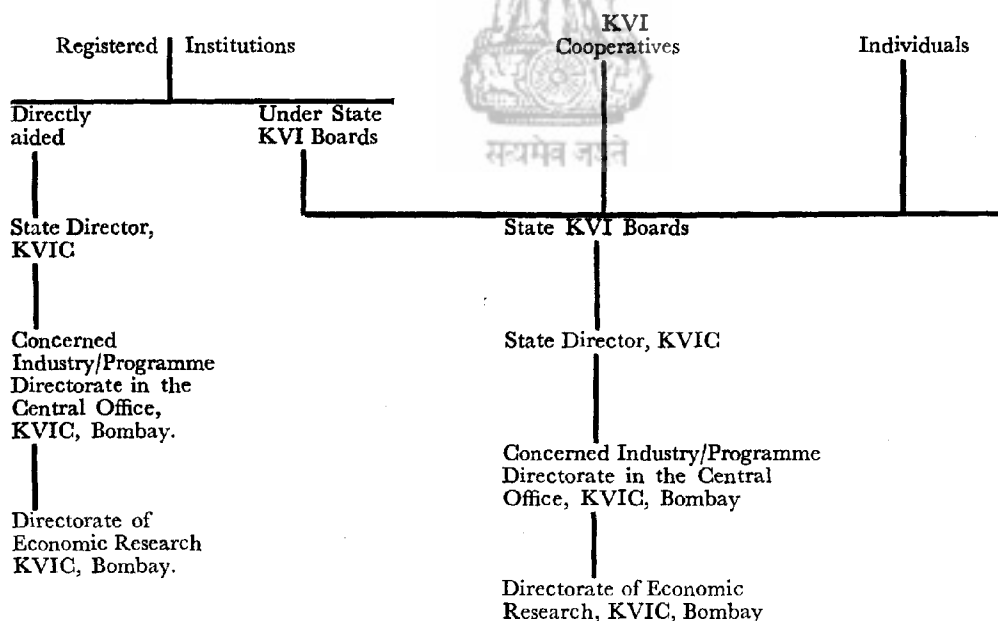
KVIC accepted the report and decided that further necessary steps might be taken for computerisation of the KVIC's financial transactions and statistical information in Accounts, Internal Audit, Budget and Economic Research Directorates. As a first step, action has been initiated in the Accounts Department. We hope that the matter will be pursued according to plan and that in due course, the information system will improve qualitatively as envisaged.

10.15 We believe that the KVIC will have to live with the above said difficulties and deficiencies for quite some time and has to organise its monitoring work nevertheless. The

Directorate of Economic Research of KVIC has, therefore, to devise suitable methods for these purposes. Apart from increasing the efficiency of the existing data collection machinery to the extent possible, it should devote greater attention to special studies of institutions according to a well-thought out plan. Although some attempt has been made in the past to collect data on important aspects from the institutions and to build up comprehensive dossiers, it cannot be said that this work has been completed on a satisfactory basis. These dossiers are still to be completed in some States. Most of them are yet to be scrutinised and analysed. If these institutions and others are selected on the basis of the ABC principle, classified according to the activity and studied in depth, it should be possible to derive some meaningful indicators. To assess its own performance from year to year, to take decisions on investment in one set up of industries rather than on another or one region rather than another, to understand the impact of the programmes on the earnings of artisans, to evaluate market preferences for KVI goods — for these and myriad other matters KVIC will have to rely on some indicators, however, imperfect they may appear to be. If KVIC is to discharge its duties under the new definition of village industries in accordance with the time-bound programme to cover all viable clusters of villages, it has to devise new monitoring tools and performance indicators while making the best use of the available data, sources and manpower.

ANNEXE I (Para 10.2)

Data Collection - Organogram



ANNEXE II (Para 10.11)

**Khadi And Village Industries
Conversion of Part Time Employment
Into Full Time Employment**

	Part-time Ratio
I. KHADI	
(a) Cotton	3 : 1
(b) Muslin (All full time)	
(c) Woollen	3 : 1
(d) Silk	3 : 1
II. VILLAGE INDUSTRIES	
1. Processing of Cereals & Pulses	3 : 1
2. Ghani Oil Industry	2 : 1
3. Flaying, curing and tanning of hides and skins and ancillary industries connected with the same and cottage leather industry	2 : 1
4. Cottage Match Industry, Manufacture of Fire-works and Agarbattis (All Full time)	
5. Gur & Khandsari (All full time-seasonal)	
6. Palmgur making and other palm products Industry	2 : 1
7. Non-edible Oils & Soap	5 : 1
8. Handmade Paper	2 : 1
9. Beekeeping	3 : 1
10. Village Pottery	2 : 1
11. Fibre	2 : 1
12. Carpentry & Blacksmithy	2 : 1
13. Lime Manufacturing	2 : 1
14. Gobar Gas	—
15. Forest Plants	3 : 1
16. Shellac	3 : 1
17. Gum Resins	3 : 1
18. Katha	3 : 1
19. Fruit Processing & Fruit Perservation	3 : 1
20. Cane and Bamboo	2 : 1
21. Lok Vastra	2 : 1
22. Aluminium	2 : 1
23. Poly Vastra	2 : 1

CHAPTER 11

SOME ADMINISTRATIVE MATTERS

In para 3.16, we made a brief reference to the creeping danger of over-centralisation and the urgent need for organisational changes and delegation of powers to lower echelons. We also took note of the steps initiated by the KVIC in this matter in the early months of 1986. In subsequent Chapters, we touched upon other organisational matters, such as the appointment of core staff for S&T work, re-organisation of the departments dealing with finance and accounts, streamlining of the audit parties and strengthening of the State Directors' offices. Here, we shall record our views on some important administrative matters which have a bearing on the efficient functioning of the KVIC as a whole.

11.2 The organisational chart of KVIC is at Annexe I. It will be seen that there are 21 State Offices located at the State Capitals and 25 Regional and sub-Offices located in different regions and in the Hill and Border Areas. The State Office at Lucknow is headed by a Deputy Chief Executive Officer instead of a Director. In addition, there are 5 posts of Deputy Chief Executive Officers in the Central Office. Most of the Directorates are distributed among them so that they can assist the Chief Executive Officer in the transaction of business. The Chief Executive Officer has delegated some of his powers to the Dy. Chief Executive Officers and the State Directors recently in April, 1986 as part of the new drive for decentralisation. The Industry/Programme Directors in the Central Office have also been suitably empowered. The scheme of delegation may be reviewed after three years in the light of experience gained by all concerned.

11.3 There are no scientific norms in opening of sub-offices. We have been told that there is no definite norm or yardstick for determining the number of technical staff to be attached to State Offices. As a result, some are under-staffed while others are over-staffed and transfers are manouvered to suit convenience of individuals. We have not gone into the details but would generally advise that it is desirable to lay down norms and declare sanctioned strength to avoid misunderstanding and to promote morale and credibility.

11.4 As on 30th September, 1985, the total sanctioned strength of staff of the Commission (excluding trading scheme) was 5,082. This comprised 234 gazetted officers and 4,848 employees of non-gazetted status. Of the latter, 948 employees fall in group 'D' category and 2,656 were classified as technical, while the remaining 1,244 employees belong to the ministerial class. 133 officers were located in the Central Office and balance 101 were posted in the various State and Regional offices.

11.5 A look at Annexe II which gives the number of vacancies that have remained unfilled as on 30-9-1985 will give anyone some cause for concern. The main reason for

not filling the large number of posts is the general ban imposed by Government of India off and on in the past and most recently from 1984. We have been informed that the ban has since been lifted recently. However, we feel that in future the ban should not be applied in the case of KVIC.

11.6 At present, the Central Office has seven Khadi Directorates, sixteen Village Industries Directorates and 22 common Directorates such as Accounts, Administration, Legal, Economic Research, Publicity etc. Some Directorates are small and Deputy Directors look after them under the overall control of Directors of other Departments. We have tried to examine whether the present arrangements will be adequate in the context of the role we have envisaged for the KVIC. In particular, we have in mind the new definition of village industries and the time-bound programme for covering all viable clusters of villages that we have recommended in Chapters 2 and 3. Will it be possible for the KVIC to keep on opening separate Directorates, at the rate of one for each type of village industry that it may be called upon to take up ? Now, there is no Directorate which can supply information on the entire KVI sector in an area or progress achieved in the sector by an institution, State Board or other beneficiary. One has to rely on the Directorate of Economic Research which in turn has to involve several Directorates and take up a major exercise in coordination. This fact as well as the complaints received during our tours about the manner in which the correspondence from beneficiary institutions and lower echelons are being attended to in the Central Office led us to commission a study of the organisation and methods in vogue. We are grateful to the Ministry of Industry for deputing a Study Team and for making its report available to us. A summary of the important recommendations of the Study Team is at Annexe III. Broadly speaking, they may be grouped under two heads : those which deal with the organisation of the office and those which concern themselves with the methods of receiving, disposing and monitoring the papers received. While generally endorsing all the recommendations, we wish to highlight some of them.

11.7 We agree that the allocation of work in the Central Office should be restructured on a region-wise basis instead of on the basis of industries. At the same time, it is necessary to ensure that the technical personnel with knowledge and experience of different industries and different disciplines have to play an important part in the Central Office. While they should have the responsibility of supervising the technical personnel in the field offices and keep close touch with the technological aspects, they should be freed from the routine duties connected with the financial and physical aspects of the programmes. Policies relating to posting, promotion etc., should be carefully evolved to ensure that those put in-charge of particular industries do have the necessary technical qualifications and experience relating to these industries. In other words, while the planning, financing and monitoring of the programmes are arranged on the territorial principle, the technical advice, guidance, assistance and supervision should be on the basis of technical disciplines relevant to the industries.

Suitable administrative devices must be employed to ensure close consultation and interaction between the territorial directorates and technical teams.

11.8 It is necessary to set up a separate O & M Wing for continuously reviewing procedure and work methods in vogue and suggesting improvements from time to time. In the absence of such a wing, proposals for creation of new posts are not examined with reference to any approved norms, although prior concurrence of the Directorate of Finance is taken. There is also no procedure for undertaking administrative inspection of various Directorates in the Central Office as well as the State and Regional Offices of the KVIC. The Directorate of Administration does sometimes inspect the State Offices. But these are sporadic in character. Regular inspections at periodic intervals must be held without fail.

11.9 We found that great care is taken to pursue the disposal of papers received from the Central Government. If similar or at least half of that care was taken in regard to letters received from beneficiary institutions and lower echelons, there would have been no cause for complaint. The Study Team has reported that the system of monitoring of disposal on the basis of weekly arrears statements was introduced on the suggestion of an earlier study by staff inspection unit. But it was allowed to fall into disuse. Similar is the state of affairs in regard to maintenance and destruction of records. There is a huge accumulation of records in each Directorate, making it very difficult to trace out old papers and retrieve precedents and references. The Study Team has made some useful suggestions which should be vigorously pursued by the Chief Executive Officer of the KVIC.

11.10 During our tours, we had occasions to meet and talk to several officers. Most of them expressed nostalgic feelings towards conditions prevailing in the fifties and sixties and hinted that due to various reasons the original dedication to work, idealistic motivation and job satisfaction have been declining during the last few years. They have urged that something must be done to correct this trend. When pressed further, some of them have suggested that it would be worthwhile to have a critical look at the personnel policies of the KVIC with a view to removing what they called adhocism and to boosting the morale of the employees. Some of the important aspects that deserve the attention of the KVIC and the Government of India in this regard are described in the following paragraphs.

11.11 First, as regards the cadre system, the point is often made that officers in the rank of Directors are called upon to preside over industries for which they have no technical qualifications or experience and this seriously detracts from their job satisfaction as well as their efficient performance. The present system has come into vogue in 1978. One of the reasons was to equalise promotion opportunities for officers belonging to different disciplines. Another reason is the view of the KVIC that the posts of Directors are essentially managerial in nature and do not call for any specialised knowledge or experience in the particular discipline or industry. It is interesting to note that a reform originally introduced for the benefit of officers has come to be cited as the main cause of loss in job satisfaction and

efficient performance. Now the KVIC has to use its ingenuity to square the circle. Perhaps the suggestion to restructure the Directorates on territorial basis and thus according approval beyond doubt to the managerial nature of the Directorates will, to some extent, improve the perceptions of the officers concerned, and add to their job satisfaction. If, as suggested earlier, positions of Directors are simultaneously provided to those who have been called upon to perform the duties of technical nature, those who prefer to derive job satisfaction from the performance of technical duties can be satisfied to a large extent. In other words, restructuring of work in the Central Office, demarcation of managerial and technical duties and the creation of separate cadres and appropriate channels of promotion appear to be essential for maintaining the morale of the officers. In Chapter 7 we had recommended the need for core staff for S & T work and the creation of a separate cadre for S & T personnel together with a system of pay and allowances comparable to the scientists of Department of S & T in the Central Government. It is essential to have a close coordination between the technical and managerial staff available with the State Directors of KVIC and State KVI Boards. We also suggest that there should be some incentives for KVI officers to learn local languages when they are posted in states other than their own. In our view, the time has come to classify the technical personnel on the basis of their technical and scientific disciplines and not on the basis of an industry. It may be appreciated that one technical discipline may be common to more than one industry. Keeping these principles in view, it should be possible for the KVIC to make suitable changes in its cadre system. The KVIC will do well to authorise the Chief Executive Officer to undertake this exercise immediately.

11.12 At present, all employees holding the post of Assistant Director or equivalent posts (viz : the lowest gazetted post) are grouped in four cadres viz : Khadi, Village Industries, General and JBCRI, Wardha, and their promotion to the next higher post of Dy. Directors are made strictly within these four cadres. The next higher post viz. Directors and equivalent in the KVIC are placed in a common cadre and promotions are effected on the basis of a common inter seniority list of Dy. Directors belonging to four cadres. While under our suggestion more than one cadre will have to be maintained above the rank of Dy. Directors even after the proposed reorganisation an option may be given at the time of promotion to a technical officer to continue on the technical side or prefer to go over to the general side. Directors with a minimum experience of five years in that post are now eligible to be considered for the post of Dy. Chief Executive Officer except Dy. Chief Executive Officer (Marketing). This needs no change. However, as regards the practice of treating each Dy. Chief Executive Officer as a unique post and preparing specific panels for each needs to be reviewed. This is a sore point for most of the officers. This practice does not appear to be in consonance with the principles of common cadre as applied to Directors. While there will be no objection to classify the Dy. Chief Executive Officer's posts as selection post as contrasted from the promotion posts, pure and simple, it appears advisable to make all Directors eligible for consideration. Selection and posting will naturally have to take into account suitability of each individual for the vacancy in question.

11.13 In our view, there is a case for creating one post of Joint or Additional Chief Executive Officer to help the Chief Executive Officer in carrying out the supervising duties over the vast organisation spread all over the country. This post will be particularly useful when the Chief Executive Officer's post falls vacant and remain unfilled for long periods for various reasons. The present practice of asking the Financial Adviser to hold additional charge of the Chief Executive Officer's post is not a very happy arrangement as it causes undue dislocation in the conduct of financial functions. The new post suggested by us will have the additional merit of providing one top management position next only to Chief Executive Officer to the officers of the KVIC and of boosting their morale. We understand that the post of a Joint Chief Executive Officer has been created but it remained unfilled.

11.14 According to the present recruitment and promotion policy, 50 per cent of the vacancies in each post are filled up by promotion. The balance 50 per cent of the vacancies are filled upto half the number by selection from among the employees of the KVIC, the other half being thrown open to direct recruitment from the market. The selection quota can be availed of by all employees of the KVIC having the minimum prescribed educational qualification and experience, irrespective of the cadre to which they may belong. This system is popularly known as PSPD (Promotion 25 per cent – Selection 25 per cent – Promotion 25 per cent – Direct Recruitment 25 per cent).

11.15 Although the above system has been in vogue for a long time, two questions have been raised. One is about the exception made in the case of the post of superintendents. Vacancies of Superintendents to be filled against selection quota are not thrown open to all the employees with the prescribed minimum qualifications and experience, as in other cases, but only to the senior most Upper Division Clerks in the Directorate of Administration. One reason cited in support of this exception is that the difference in emoluments between the Superintendents and the lower post is considerable and upgradation of very junior personnel through selection quota may create heart-burning among the Upper Division Clerks. It is not, however, clear why this is kept as a preserve of the clerks of the G. A. cadre only. One suggestion made to meet the objections is to create an intermediary post and provide promotion prospects to the junior and meritorious employees.

11.16 The second question that has been raised is more important. Should the direct recruitment be allowed to continue in respect of higher posts in the gazetted as well as non-gazetted category? Is it advisable to recruit persons directly from the open market for the posts of UDCs and Superintendents on the non-gazetted side and Dy. Directors, Directors and Dy. Chief Executive Officers on the gazetted side? Although in some organisations lateral recruitments from the open market at higher levels have been advocated for bringing in new blood, most organisations favour the principle of restricting direct recruitment to the lowest category of post on the gazetted and non-gazetted side. Lateral recruitments to higher posts are resorted to in exceptional cases only, that is, when the Administrative Head

comes to the conclusion that there is no person in the organisation with the necessary qualifications and experience suitable for the higher post in question. If this practice is followed in the KVIC, it would be necessary to restrict direct recruitments at the level of LDCs/UDCs and equivalent posts on the non-gazetted side and the level of Assistant Directors and equivalent on the gazetted side. It appears desirable that at the levels of Superintendents and Directors, the KVIC should have persons who are fully conversant with the working and ethos of the organisation. The KVIC will, of course, be free to recruit direct from the market, should it become necessary on a careful assesment of the available personnel that duties and functions of certain posts require qualifications and experience not available among the KVIC's personnel. We suggest that in cases of promotions amongst the staff, of KVIC, the vacant posts of each cadre should be advertised in its fortnightly issue of "Jagriti" well in advance regularly. In case of selection of posts, we suggest that all selection posts should be advertised in all leading news papers in India. We also suggest that the KVIC should appoint one outside member on the Selection Committee for selection of posts in KVIC.

11.17 There is a Services Board whose advice is taken in regard to the prescription of qualifications for each post and for filling the gazetted posts viz. Asstt. Directors and above. A representative from the Ministry of Industry, Government of India is included in the Board. The Services Board also gives its views on the various representations of employees which are referred to it by the Chief Executive Officer of the KVIC. For example, the final seniority list of different cadres are finalised on the basis of recommendations of the Services Board. The cases of crossing of Efficiency Bar of groups A & B officers are also referred to the Services Board. While no serious complaints have been received in regard to the functioning of the Services Board, two points have been brought to our notice for consideration. One is about the convention that the recommendations of the Services Board must be ordinarily accepted by the KVIC. If in exceptional cases, the KVIC finds it difficult to accept the recommendations, it should first seek reconsideration before taking a contrary decision. All decisions contrary to the Services Board's recommendations should be prominently reported in the Annual Administration Report. The second point is that considering the nature of work of the Services Board, it would be advisable not to appoint former officers of the KVIC as Chairman or Member of the Board. However much fair minded and just they may be their previous knowledge and familiarity with the employees of the KVIC are likely to raise doubts. This is not to cast any aspersions on the integrity of any Member or the Chairman, but only to enunciate principle that will make for greater credibility and faith in the Board which are essential for the maintenance of staff morale at a high level. We are told that in some cases, the employees of the Commission have filed a suit in the court against the injustice done by the KVIC with regard to their promotion, seniority etc.

11.18 We heard complaints that there is no transfer policy as such and the power for transfer has been used rather arbitrarily in many cases. Some persons have been transferred at short intervals from one post to another and very frequently, although the canon of administ-

rative prudence indicates that an officer should be allowed to continue in a post for a minimum period of three years. Frequent transfers not only harm the officer but also affect the efficiency of the organisation adversely. It is also the practice to transfer persons along with the post to some extent. We recommend that KVIC should draft a transfer policy statement and make it known to all its employees. Generally speaking, persons with the pay scale of Rs. 380 per month (pre-revised) should not be subjected to transfer. The KVIC may also identify categories that could be transferred within zones only. This particularly applies to technical personnel in the lower grades. Although strictly speaking, they form part of an All India cadre, prudence indicates that their postings in far off places with the attendant language difficulties etc. are likely to be counter-productive. As regards others who are subject to all India transfers, due respect should be paid to the minimum period allowed to a person to develop in his own post, his personal problems and above all the timings of the transfers. Transfers must, as far as possible, be restricted to the period falling between the end of one education year and the beginning of another. The best time to induce a person to move on transfer is in the event of promotion. Like all other organisations, KVIC too has its share of complaints of discriminatory treatment against the personnel in the outstations. While some employees working in the Central Office have managed to avoid transfers throughout their entire career, those in the outstations have been shifted frequently. This impression, whether supported by facts or not, should be corrected immediately. The KVIC will do well to list out those who have remained for long periods in Bombay and work out a scheme of transfers. We are not suggesting this as a mere consolation for those in the periphery or as a measure of delayed justice. We believe that those who have remained at Bombay should be exposed to the problems and challenges of the periphery in the same manner as those in the periphery must be educated in the intricacies of management at the top. It is only then that an organisation can function as an organic whole. It is unfortunate that transfers are often looked at as punishments or sources of inconveniences. The KVIC should do everything possible to correct this distorted view and promote the idea that transfers are essentially a part of career development and acquaintance with diverse conditions of the country are an essential element of one's equipment for the efficient performance of one's duties.

11.19 We would add that the KVIC's success in implementing a rational transfer policy as envisaged above will depend on its capacity to provide minimum facilities such as staff quarters for the employees and the education of their children. It is hoped that the Government of India would help the KVIC to provide the necessary minimum facilities.

11.20 We recall that in the Chapter on Training, we emphasised the need for organising training courses for the KVIC staff at all levels. The Study Team on O & M has also underscored the necessity of orienting the key personnel in the ministerial grades in the processes of O & M. We trust that the KVIC will take suitable steps in this regard. It should revive the old practice of departmental tests as essential ingredient of the promotion

process in order to induce proper attitudes and motivation in staff to take full advantage of the training facilities.

11.21 As regards other service conditions such as leave, pension, provident fund, gratuity etc., KVIC has been following the scales, rates and practices that are applicable to the Central Government employees in similar grades. However, separate regulations have to be framed in each case under the KVIC Act. Whenever there is a change in the rates fixed by the Government of India for its own employees, the KVIC has to approach the Government of India for making such changes applicable for its own employees. The Government approval for revision of these rates is obtained only after a lapse of considerable time. The changes become effective from the date the revised regulations are printed in Official Gazette. Employees of KVIC who retire in the intervening period unnecessarily suffer as these regulations do not cover them. The Government of India has recently removed pension ceiling limit of Rs. 1500 per month. If prior sanction of the Government is absolutely necessary for such revisions, the amendments should specifically indicate that the benefit of such revision would be made available to the employees of the KVIC from the same date w.e.f. which such revisions were made applicable to the employees of the Government of India. However, a still better alternative would be to make such revision applicable to the employees of the KVIC from the same date from which they are made applicable to the employees of the Government of India without any need for approaching the Government for amending the regulations. This can be done by making a suitable provision in the regulations themselves. This would avoid a lot of superfluous correspondence for the amendment of the regulations. Here also the concurrence of the Financial Adviser to the KVIC to such amendments should be treated as adequate for purpose of making the revision in regulations applicable to employees of the KVIC from the same date from which such changes have become applicable to Central Government employees. Such practice is already being followed for dearness allowance.

11.22 As in the case of financial procedures, we, as a committee, could only highlight some of the important issues of some administrative nature and indicate our suggestions thereon. We felt that it would be beyond our competence to present a comprehensive scheme of administrative reorganisation or a complete blue-print for action. It is indeed for the Chief Executive Officer to work out such a scheme or blue-print in close collaboration of his senior and experienced staff and with the blessings of the Chairman, KVIC. We trust he and the Chairman will undertake this task without delay. It is our hope that the comments made herein will be found useful in the completion of that task.

11.23 In the Chapter "Organisation for the Future – State Level" the constitution of the State Boards and other related matters have been dealt with. Simultaneous with the KVIC shedding its responsibilities in directly financing the institutions in the States, the SKVIBs will have to play a much bigger role in the future. The State Boards will have to be streng-

thened adequately when they take over directly assisted institutions under their care. To enable this to happen the administrative structure of each State Board will have to be examined with reference to its present responsibilities and its future role. In view of the varied patterns of the administrative structure in each of the State Boards, we have not been able to find time to examine every one of them and give recommendations. Further, the transfer of the directly financed institutions to the State Boards will be dependent on the State Board's fulfilling certain requirements listed in an earlier chapter. Hence, we recommend that the question of restructuring and strengthening each State Board should be left to a committee consisting of representatives of the KVIC and that of the concerned State Board. This committee will review the administrative, financial and technical staff structure of each State Board and give its recommendations. The committee will also examine the recruitment procedure and suggest ways of filling up gaps in the technical, financial and administrative set up of the State Boards. They will also take into consideration the technical staff that exists in each of the KVIC's State Offices and see that they are fully utilised. When once the KVIC implements the recommendations of the Review Committee by transferring a large portion of its financial responsibilities to its State Offices and the State Boards, they will be faced with the problem of utilising the services of the surplus staff that will entail, largely in the headquarters. It should be possible to use the services of these experienced personnel of the KVIC at different levels in the State Offices or in the State Boards.

11.24 The State Boards have been mostly concentrating on the development of village industries. On the khadi side, their competence will, therefore, be very much inadequate. It would be in the interest of the programme if some of the experienced khadi staff from the KVIC are deputed to work in these State Boards. In addition, the State Boards may select a few technical staff for khadi work and depute them for a re-orientation in the training centres of the KVIC. After the introduction of the textile mill technology in khadi, specially in the establishment of blow-room line and in the finishing of fabric, it may be worth-while for the State Boards to recruit persons qualified in different aspects of textile technology and give them the Khadi Orientation Training.

11.25 The future of the KVI programmes will be dependent to the extent they can absorb improved technology and increase their productivity. To facilitate this transfer of technology, the skill of the technical staff of the Board will have to be continuously updated. We would recommend that the important technical personnel in the State Boards should periodically be sent for higher training and their promotion should be made conditional to their passing the higher technical course.

ANNEXE I (Para 11.2)

Organisational set up of Khadi & Village Industries Commission

Parliament Administrative Ministry (Ministry of Industry)				
KVIC - Chairman Vice-Chairman Member Secretary and Two Members Chief Executive Officer (Normally a Senior IAS Officer)		Advisory (All India Khadi and V. I. Board)		Financial Adviser (Normally a Senior IA & AS Officer) Assisted by Directorate of Finance, Budget & Costing
Dy. Chief Executive Officer	Dy. Chief Executive Officer (Marketing)	Dy. Chief Executive Officer	Directorates of	Field Offices
1. Bank Finance 2. Economic Research 3. Hill, Border, Tribal & Weaker Section Areas. 4. Co-operation 5. Integrated Rural Development 6. TRYSEM 7. State KVI Board 8. Publicity 9. Training 10. Budget	1. Directorate of Marketing 2. Supplies to Govern- ment and Public undertaking.	Zonal Office (U.P.) Sub Offices and Regional Offices of Uttar Pradesh	1. Administration 2. Commission's Cell. 3. Chairman's Secretariat	Field Offices State Direc- torates/ Sub- Offices (in- cluding HBA, Regional Offices)

- Notes :** (i) The KVIC is assisted by Standing Advisory Committees and Honorary Adviser in some cases.
(ii) The powers both executive and financial have been delegated in the interest of work.
(iii) The KVIC in day to day functioning is guided by provision of KVIC Act, Rules and Regulations.
(iv) It also issues Standing and Office Orders for its work.

ANNEXE I (Para 11.2)

Organisational set up of Khadi and Village Industries Commission

Parliament
Administrative Ministry
(Ministry of Industry)

KVIC - Chairman Vice-Chairman Member Secretary and Two Members Chief Executive Officer (Normally a Senior IAS Officer)		Advisory (All India Khadi and V. I. Board)
Dy. Chief Executive Officer (Khadi) Following (Khadi) Directorates 1. Cotton Khadi 2. Woollen Khadi 3. Silk Khadi 4. Cotton Purchase 5. Research & Development (Khadi) 6. Polyvstra	Dy. Chief Executive Officer (Village Industries) 1. All Village Industries Directorates 2. Village Industries and General Coordination 3. Directorate of Science & Technology.	Dy. Chief Executive Officer 1. Accounts 2. Inspection 3. Biogas 4. Instrumentation 5. Legal 6. Special Recovery 7. Services Board

ANNEXE II (Para 11.5)

Number of Vacancies that have remained unfilled as on 30-9-1985

	Non-Plan/ Plan	Trading	S & T	Scheme	Total
1. Group - A	20	2	9	—	31
2. Group - B					
Gazetted	16	Gaz. 4	—	—	20
Non-Gazetted	115	N.G. 7	8	4	134
3. Group - C	891	46	1	4	942
4. Group - D	132	8	—	12	152
	1,174	67	18	20	1,279

ANNEXE III (Para 11.6)

Summary of Important Recommendations

1. The allocation of work in KVIC's Central Office requires to be reviewed so as to make it more effective for the achievement of the objectives of the Commission. The allocation of work in the Central Office could be restructured from the present industry-wise categorisation to regionwise categorisation. (Para 1.5.2)
2. The State Offices of Khadi & Village Industries Commission should be renamed. (Para 1.1.2)
3. Wide publicity should be given to the distinct roles of KVIC, its State Offices and State KVI Boards, so as to distinguish one from other. (Para 6.2.2.)
4. Line function and staff functions in the Central Office of KVIC should not be mixed and Establishment matters should not be dealt with in each Directorate. (Para 1.6)
5. Officers oriented system should be implemented for quick disposal of cases. (Para 1.6)
6. Level jumping should be introduced, so as to reduce delays. (Para 1.7.1)
7. Training to Officers should be made meaningful. Field Staff in C.B.R.I. require to undergo orientation courses. (Para 5.2.2.)
8. The letter heads of the Commission should be printed with the entries :
Your reference No.
Our reference No.....
and it should be insisted that these entries should be filled. (Para 6.2.1)
9. Communications should be prompt. In cases of the payments/deductions made from any beneficiaries by Central Office, the intimation thereof to concerned department/State Office, should be prompt. For transmission of quick information telex or STD facility should frequently be made use of. (Para 6.2.3)
10. An Officer should be nominated to receive communications after office hours and on holidays, so as to transmit these to Directors and Assistant Directors promptly (Para 6.2.4.1)
11. Address on all communications should be correct. The correct names & addresses written on all communications specially to the beneficiaries could be of great help in reducing delay. (Para 6.2.4.3)
12. Information required from a beneficiary should be called for at one time and not piecemeal. (Para 6.2.4.2)

13. Communications from beneficiaries should be well attended to, so that the need of getting persons deputed by beneficiaries for getting replies from the Central Office of Commission should be obviated. (Para 6.2.4.4.)
14. Full publicity should be given to all rules and regulations, and any modifications made should be conveyed to all concerned urgently. (Para 6.2.4.5.)
15. Changes in procedures should be promptly communicated to all concerned. (Para 6.2.4.6)
16. Use of Network and PERT charts should be frequent. In cases of grant of loan, on the presumption of the budget proposals being finalised the loan applications could be invited, collected and processed based on figures tentatively agreed to. A Network/PERT chart for this should be attempted, based on breaking up of activities, their inter-relationships and inter-dependence. (Para 6.2.4.8)
17. Immediate activities and commercial transactions should be attended to promptly by treating these as such and not treating these at par with other activities which could be delayed without having any adverse effect on objectives of the organisations. (Para 6.2.4.9)
18. For the certification of cases, there should be a process of implementation, monitoring and review and handling of these cases should be made time bound. (Para 6.3.1)
19. The time lag between completion of plants and grant of subsidy which is after completion of the plant, is required to be reviewed and reduced. (Para 6.3.2)
20. There should be a system of periodical reviews of procedures and it should be detailed procedural review imbibing principles of O & M procedures. (Para 6.3.3)
21. The Central Office of KVIC and each of the State Office should nominate an officer to whom the dak would be shown as received on holidays, or after office hours the same day. This officer will take out immediate letters and wherever necessary, show these to higher officers for getting their directions and keep the rest for being diarised and distributed in the usual manner on the next working day (Para 7.2.1)
22. Communication received from the Government, which means Central Government, not only the Department of Industrial Development but any other Ministry or Department also, should be sent to the Personal Section of Chairman or monitoring section. (Para 7.2.2)
23. Dak will be registered in duplicate and in prescribed forms. (Para 7.2.4.3)
24. There should be only one registering point for letters forwarding cheques, drafts and other valuables. (Para 7.2.5.1)

25. In Small State Offices, dak will be opened and marked by the Directors themselves. (Para 7.2.5.1.)
26. Registers for registering dak in Sections of small offices will not be maintained section-wise as there would be not many Sections. (Para 7.2.5.1.)
27. Duplicate copies of the forms will also not be necessary for registering dak in small offices. (Para 7.2.5.1.)
28. In small State Offices dak need not even be diarised again. It could only be registered (Para 7.2.5.1.)
29. The dak would be received in the Section from three sources :—
 1. Directly
 2. Through Central Registry Section
 3. Through the Office of Chairman.(Para 7.3.1)
30. Receipts received in the Section should be given to the Section Diarist alongwith duplicate copies of the registration form received from Central Registry Section and Chairman's office. These forms should be filed sequentially in the diary register. Against each receipt and Registration No. the Dy. No. should be entered in sequential manner. The receipts received in the section will also be diarised in the same form. The name of the dealing hand to whom the receipt has been marked will also be entered. The receipts which do not pertain to the Section will not be given any Dy. No. (Para 7.3.2)
31. Dealing hands should enter the receipts marked to them for action in the work sheet and each receipt entered should bear a diary No. (Para 7.4)
32. Each receipt should be docketted and referenced in the file. (Para 7.5)
33. Diarist should maintain a reminder diary in which according to the instructions of the Superintendent the diarist will enter date-wise cases marked for suspense of reminder. (Para 7.9.1.)
34. Diarist should enter the number of the file marked for recording, in the register meant for watching the progress of recording. (Para 7.9.2)
35. Inter-departmental consultations should take place in inter-departmental meetings or in oral discussions. (Para 7.12.1)
36. Before holding such meetings the agenda giving clearly the points for discussion should be prepared and sent alongwith the proposal for holding the meeting. (Para 7.12.2)
37. Record note of discussion should be prepared. (Para 7.12.2)

38. Concerned directorates who would take specific action should be informed of the steps to be taken for implementing the decision. (Para 7.12.2)
39. Communication received from beneficiary institutions, individuals and other members of public which cannot be replied to promptly should be acknowledged suitably. (Para 7.11.1)
40. Mis-sent communications should be transferred promptly to the concerned offices. (Para 7.11.1)
41. Cases where consideration of proposal takes time and final reply is delayed, an interim reply should be sent promptly indicating the tentative date of final disposal. (Para 7.11.1)
42. The information required from the State Offices, State KVI Boards and other beneficiaries, should be clearly specified. (Para 7.11.3)
43. Notes issued by the Chairman and Members of the Commission where specific directions have been given and lines of action been made clear by them, should receive suitable priority. (Para 7.11.2)
44. References received directly by the Chairman and Members of the Commission from VIPs such as Ministers of Central Government, Ministers of State Government, M.P.s, M.L.A.s and M.L.Gs. or indirectly through the Ministry and other important references should be initiated at the level of Directors/incharge of Directorates. (Para 7.13.3 & 7.13.4)
45. Functional file numbering system should be adopted in KVIC. (Para 7.16.5)
46. Where standard mailing list is to be used, letters could be sent to Central Registry Section for despatch and Bradma Addresso Machines could be used by the Central Registry Section for standard mailing list. (Para 7.15.1)
47. A system of requisition slip should be introduced for renewing the stencil. (Para 7.15.5)
48. A record retention schedule containing a time table for the maintenance of records should be prepared and the proposed procedure for Records Management should be followed. (Para 7.17.6)
49. Weekly arrears statement should be introduced, prepared and submitted. (Para 7.18.6)
50. Statement of cases pending disposal over a month should be put up to higher officers to acquaint them with the latest position of each pending case. The format as at Annexure XXVI should be used. (Para 7.18.10)
51. The two important functions of the system are (i) "Control Mechanism" (ii) "Monitoring Mechanism".

The control mechanism is to be implemented with reference to document at Annexure-VII which combines the functions of (i) "Registration", (ii) "Diarisation", (iii) "Watch on disposal of receipts" and (iv) "Retrieval of papers".

The monitoring mechanism is to be implemented with reference to the document at Annexure-XXVI. With the help of this document called the 'Case Sheets', a monthly review of cases pending over a month can be undertaken. The system could be started by following the drill given in para 7.18.18. (Para 7.2.4, 7.18.10., 7.18.18)

52. The relationship between Central Office and State Offices should be studied and the monthly letter in the prescribed form giving the activities of each State Office to the Central Office should be reviewed in its form, periodicity and content so that a Management Information System based on this could be established. (Para 7.18.25)

ANNEXURE VII

KHADI AND VILLAGE INDUSTRIES COMMISSION

Revised Forms for Entering the Dak in the Register of Central Registry

(To be produced in duplicate and to be used as Section diary also)

C.R. No.	No. and Date of document received		From which received	Brief Subject	Diary No.	To whom marked	File No.	Replied on	No reply was necessary	Remarks
	No.	Date								
1	2	3	4	5	6	7	8	9	10	11

ANNEXURE XXVI

KHADI AND VILLAGE INDUSTRIES COMMISSION

Case — Sheet

File/Diary No. Subject

Date of commencement

Month ending	With whom pending and since when	Reasons for delay	Remarks of B.O. and higher officer
1	2	3	4

CHAPTER 12

KHADI — SOME PROBLEMS AND SUGGESTIONS

Khadi has been defined as “any cloth woven on handlooms in India from cotton, silk or woollen yarn handspun in India or from a mixture of any two or all of such yarns” (Section 2(d) of the Khadi and Village Industries Commission Act, 1956). The main features of the Khadi Industry may be summarised as follows :

- (a) Khadi, which was conceived in the twenties as a promotor of Swadeshi movement and instrument of self-reliance in the rural areas now accounts for about 1 per cent only of the total production of woven cloth in the country (105 million square metres out of 11,505 million square meters in 1985-86. It provided employment to about 13.5 lakh persons in 1985-86 (4.3 lakhs on full time basis and 9.2 lakhs on part time basis). The production and employment targets for the terminal year of the Seventh Five Yarn Plan have been fixed at 180 million sq. metres and 30 lakhs respectively;
- (b) Out of the total production of khadi, cotton khadi accounts for 86 per cent (including 3 per cent of muslin khadi). The share of woollen khadi is 10 per cent and silk makes up the remaining 4 per cent. In terms of employment too, cotton khadi contributes the most viz. 78 per cent (including 2 per cent by muslin), while woollen and silk account for 17 per cent and 5 per cent respectively;
- (c) the available statistics show that the production of khadi and the related employment rose steadily till 1965-66 when it began to decline sharply, 1971-72 saw a reversal of the trend and annual increases were registered till 1982-83. Since then there is a tendency for near stagnation. The production of khadi declined from 108 million sq. metres in 1982-83 to 103 million sq. metres in 1983-84, increased to 104 million sq. metres in 1984-85 and registered a small increase in 1985-86 when it was 105 million sq. metres. In other words, the annual increases were neither steady nor significant. This is causing concern. It also raises doubts about the feasibility of achieving higher targets as fixed by the Seventh Five Year Plan ;
- (d) the geographical distribution of the three kinds of Khadi — cotton, woollen and silk — is as follows :
 - (i) cotton khadi may be sub-divided into two parts - ordinary and muslin. Ordinary cotton is concentrated in the States of U. P. (33 per cent) Tamil Nadu (19 per cent), Bihar and Gujarat (8 per cent each), Karnataka (6 per cent), Rajasthan and Punjab (5 per cent each) and Haryana

(2 per cent). These states together account for 86 per cent of the total cotton khadi; Muslin is concentrated in four States which account for 77 per cent viz., Kerala (31 per cent), West Bengal (25 per cent), Tamil Nadu (15 per cent) and Bihar (8 per cent);

(ii) Woollen khadi activity is to be found mainly in Rajasthan (39 per cent) Uttar Pradesh (19 per cent), Punjab (7 per cent), Jammu & Kashmir and Maharashtra (6 per cent each). These six States together account for 87 per cent of the total woollen khadi production. Broadly speaking, woollen khadi is confined to the desert areas of Rajasthan, the drought prone areas of the south and the hill areas of the north; and

(iii) As regards silk khadi, 91 per cent is located in five States viz., West Bengal (51 per cent), Tamil Nadu (24 per cent), Bihar and Karnataka (6 per cent each) and Assam (4 per cent).

(e) In some States, spinning and weaving capacities are not evenly balanced. There is a tendency among the weavers to give up khadi production off and on and take up weaving with mill-made yarn, mainly due to the higher earnings that the latter offers. Accumulation of hand-spun yarn was noticed in Kerala, Karnataka, Gujarat, etc. during 1985-86. The mis-match in the khadi sector is also said to be due to certain physical features of hand-spun yarn which are unacceptable to the ordinary handloom weavers;

(f) There has been a change in the character of employment provided by khadi over the years, mainly due to the introduction of new technology, the general preference for a workshop type organisation and the growing importance of post-weaving activities like dyeing, printing and finishing. While in 1955-56 the full time employment provided by khadi stood at 9 per cent only, it has risen to 32 per cent in 1985-86; and

(g) The market for khadi has undergone changes. The number of habitual users or other ideological buyers has declined in terms of percentage. The other buyers who are motivated by fashion, convenience or value have increased. Cloth which is printed, dyed or otherwise processed has gained demand at the expense of white or grey cloth. Customers have also been preferring cloth woven with natural yarn blended with synthetic yarn.

12.2 Several questions arise for consideration. What is the future of khadi? Can it stake a claim to a reasonable share of the market for textiles, i.e., increase its present share of 1 per cent? What are the measures that need to be adopted firstly to enable khadi industry to provide more employment opportunities and secondly to meet the changing tastes and preferences of the customers? Can yarn spinning with NMC be developed as an industry

in its own right instead of its being compulsorily tagged on to production of Khadi ? Will charkha spun yarn be acceptable to ordinary handloom weavers in the ordinary course as a substitute for mill-made yarn and if not, what special steps have to be taken for this purpose ?

12.3 We have taken note of the declaration made by Government in respect of khadi in the Textile Policy of June, 1985, the main aim of which is "to increase the production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of a growing population". As regards khadi, it says : "All encouragement would be given to the expansion of the khadi programme in view of its large employment and income generating potential in the rural areas, specially among women. Steps would be taken to improve the production process, upgrade the skills of workers, raise productivity, diversify the product range and strengthen the marketing arrangements under the khadi programme". However, the statement does not specify measures of encouragement or the actual steps to be taken. In the following paragraphs, we shall discuss the possible lines on which action may be taken in the near future.

12.4 As the three parts of khadi production, cotton, woollen and silk have their own distinct characteristics and problems, we consider it appropriate to discuss them separately. It is also necessary to distinguish five stages of production - (a) pre-spinning, (b) spinning, (c) pre-weaving, (d) weaving and (e) post-weaving. Different kinds of problems arise at each of these stages.

A. Cotton Khadi

12.5 **Pre-spinning :** Pre-spinning process under cotton khadi includes opening and carding of cotton, drawing, sliver making and preparation of rovings. Experts have advised that the quality and cost of the hand-spun yarn depends largely on quality and cost of slivers and rovings. Several knowledgeable persons, while giving evidence before the Committee highlighted the need for adopting the most modern technology in the preparation of slivers and rovings which will have the twin advantage of (a) improving the quality of cotton yarn and (b) reducing the cost of production. Today in cotton khadi, relatively better and costlier varieties of cotton are used for manufacture of coarse and medium varieties of cotton khadi. This is one of the reasons for the high cost of cotton khadi. It may be noted that cotton accounts for 30 per cent in coarse varieties of the cost of the woven cloth. Any technology which will enable less costly varieties of cotton through proper blending will, therefore, reduce the cost of production of khadi. KVIC should take assistance of the Textile Research Association in the country like SITRA, ATIRA, BITRA etc., for evolving proper blends.

12.6 KVIC has been rightly devoting a lot of attention to the pre-processing stage during the recent past. In 1984, it has agreed to the use of mill-made slivers by the spinning units. It has also encouraged the setting up of blowroom lines by some khadi institutions. It has set up two pre-processing units - one at Rae Bareilly (U. P.) for coarse and medium counts of

cotton khadi and Poly Vastra and other at Trichur (Kerala) for muslin khadi. The KVIC has travelled a long distance from the Dhunai modia of the fifties and the second hand scutcher-card system of the sixties.

12.7 We fully endorse the view that in pre-spinning, the benefit of most advanced technology should be availed of. There is no point in patronising discarded scutchers and cards, consequently necessitating considerable investment for their renovation and repairs. We have seen the report of the Gandhigram Trust, Madurai on the Research Project on blended fibres for hand-spinning and handweaving implemented by it under the sponsorship of the department of Science & Technology. It has proved that a Mini-Blow room line with by-pass arrangements erected at moderate cost can be used for all kinds of cotton and for making supplies of slivers to a large number of spinners using NMC with 6 to 12 spindles. We found that the results reported were very encouraging.

12.8 We recommend that, to begin with, it would be more advantageous and economical to obtain readymade slivers from co-operative or nationalised spinning mills. Since pre-spinning units set up by the KVIC have commenced production only recently and some time will have to pass to know the impact, we recommend that KVIC should evaluate their performance after a year or two and formulate its policy for the future. In principle, we find the concept of 'mother units' for supply of readymade slivers quite attractive. But it is not necessary to insist that mother units should invariably be owned and operated by KVIC. There should be no objection to their management being entrusted to local institutions which have a good track record and who have a large number of spinners affiliated to them. A great deal will, however, depend on finding the right answers to questions like the cost of production, size of the unit, its command area, transportation arrangements for the slivers and rovings, the packaging and the measures for facilitating the disposal of the older equipment installed by the spinning units with the assistance of KVIC. As regards the last mentioned aspect which was stressed before us during our field visits, we recommend that KVIC should evolve a suitable policy to hold implementing agencies tide over the costs and other problems of obsolescence, wherever, it introduced a new technology leading to replacement of the old equipment. This is important. Institutions by themselves are in no position to absorb the shocks of obsolescence, KVIC may, in collaboration with technologists and economists, work out suitable answers to the above question before embarking on a large scale programme of mother units.

12.9 **Roving** : Instruction No. 2 (xxii) of "Instruction for Issuance, Renewal and Validity of Khadi Certificate" of the Central Certification Committee permitted the use of power for pre-processing of cotton khadi upto the stage of roving by adopting fly frames and interframes subject to the condition that the machines are run under the control of certified institutions, State Federations, State Boards or Commission. We were informed that the Certification Committee in its 62nd meeting held on 15th and 16th June, 1986 also permitted

the use of Simplex machines for preparation of rovings. Till 1960, the Textile Mills were using three machines for production of rovings, namely, SLUBBER, INTER AND ROVER. The drawn slivers or combed slivers used to pass through the above machines, effecting a slight twist at the stage of roving machine. The process involved time and labour. During 1979s and 80s the Simplex machine was introduced which combines the work of SLUBBER, INTER AND ROVER in one machine. The drawn slivers or combed slivers are fed to this machine and final rovings with necessary twist are produced by this machine. The rovings are then fed to NMCs for spinning. The Simplex machine is commonly fitted with 60 spindles on each side (i.e. 120 spindles total) and the Bobbin length is roughly 1 foot and the spindle speed is about 1000 R.P.M. The doffed Bobbins contain about 750 gms. to 1 kg, of rovings. The rovings produced from Simplex are always uniform from the point of view to twist, tight winding on to the bobbins and the rovings are easy for packing, handling and transporting. The spinner can earn fairly good wages by using roving produced by Simplex machines on NMC Charkhas. We, therefore, recommend the adoption of Simplex machines for production of rovings for subsequent spinning on the New Model Charkhas.

12.10 **Spinning** : KVIC has evolved an acceptable version of spinning equipment viz. New Model Charkha (NMC of six spindles type and twelve spindles type) which is trouble free and has the capacity of providing employment at reasonable wage/earnings. Ordinary villagers of both sexes can operate it after a short period of training. It has been proved that a spinner can produce about 20 hanks of medium count (33 to 60 metric) during 8 hours of work and earn about Rs. 10 per day, which is comparable to agricultural wage during the off-season. However, for various reasons, there are areas in the country, where the scope for operating NMC had not been fully utilised or the possibility of increasing the earnings of spinners has remained untapped. These reasons will have to be ascertained and tackled systematically and eliminated.

12.11 As regards coarse count i.e., below 33 metric, which is largely used in weaving non-wearable varieties like chaddar, carpets, towels, durries etc., not much technological development had taken place. Even today, the traditional charkha (one spindle) is still in use. It has very low productivity at 2 to 3 hanks for 8 hours of work. Further the quality of yarn is poor and unacceptable to the weaver, although the cotton used is of a superior and costly variety. As a result, the traditional cotton khadi activity requires relatively more working capital than NMC. In spite of these adverse factors, the coarse non-wearable varieties of khadi goods below 33 metric counts are found to be fast moving in the market. Also there is still a class of people in rural areas, who prefer to work at low wages due to a variety of social factors. It is indeed paradoxical that areas having high per capita income like Haryana and Punjab, the traditional charkha is still used as a supplementary source of income. In other words, for a commodity which has an assured market, the production technology continues to be traditional. We are of the view that KVIC should have focussed its attention on the development of appropriate technology for the production of coarse

counts of yarn. We understand that in 1975 pot charkha was developed, but no concrete efforts were made to popularise it. We are informed that in the Saranjam Sammelan held at New Delhi in February, 1983, an improved version of new model charkha with 10 spindles which can produce yarn between 10 and 20 metric counts was approved. KVIC has not so far been successful in the implementation of this equipment in the field. We recommend that the distribution of these two equipments should be planned systematically and pursued with greater vigour than in the past. If certain improvements are considered necessary, they too should be attended to without any further loss of time. This being an area where khadi enjoys a competitive advantage in terms of marketing, every effort should be made to improve productivity.

12.12 In the case of NMC, which produces medium counts of yarn there is need for a regular replacement programme, as some of the charkhas are now a decade old. Some of them, particularly in inaccessible areas have not had the benefit of regular and competent maintenance. In fact, a drive should be undertaken to classify the NMCs in use according to their age, productivity, state of maintenance, requirement of spare parts etc. for their repair or replacement.

12.13 In the case of muslin spinning, the major constraint appears to be the non-availability of suitable variety of cotton. The sea-island cotton the most favoured variety has almost disappeared. The next best, the Suvin, is in short supply and commands a high price. With the commissioning of a pre-spinning processing unit at Trichur (Kerala), it may be possible to use other varieties of cotton like DCH 32 and the raw material problem may be solved satisfactorily. Two types of charkhas are in use, one with 5 spindles and the other with 7 spindles. The former is popular in Kerala and the latter in West Bengal. Some more technological improvements would be necessary for making the 7 spindles NMC attractive to spinners both from the viewpoint of quality and operation. We are informed that muslin khadi does not face any sales problem and there is considerable potential for its expansion, especially in the coastal regions of the country. Muslin yarn does not face any competition from the organised sector.

12.14 **Pre-weaving :** The importance of standardising the pre-weaving processes needs to be emphasised. One of the reasons why the Nepali loom, which is a semi-automatic loom, has not become popular is that the warps are not suited to the high speed of the shuttle. The present system of sizing leaves much to be desired. It is because of the defective sizing and the unsatisfactory drying arrangement for the warps, that the beams attached to the Nepali loom do not lend themselves to smooth weaving. It would, therefore, be advisable to go in for the mill technology both in sizing and drying for preparing long warps which can be attached to both the ordinary frame looms and the semi-automatic Nepali looms. Experiments have to be carried out initially by getting warps prepared in some mills. After standardising the process, KVIC can develop its own centralised units for warp preparation.

12.15 One of the most strenuous processes in warp preparation is the winding of bobbins for the creel and pirn winding. It should be examined whether by having a suitable attachment to the six spindle and twelve spindle charkha these bobbins and pirns can be prepared. This will eliminate a lot of drudgery as also child labour since it is usually the children who wind the bobbins pirns.

12.16 **Weaving :** Most of cotton khadi continues to be woven on the traditional looms because the efforts of KVIC to popularise improved looms have not been on a high key and the success stories have been few and far between. It is only the new entrants to the weaving profession that have shown interest in the use of improved looms. We have been informed that the weavers from the traditional handloom families are reluctant to use the semi-automatic looms or the Nepali models due to some operational difficulties or constraints on their freedom. The failure of the khadi institutions to supply ready warps may also have contributed to the reluctance of the traditional weavers. The experience of the State Handloom Development Department is not very much different. Although these Departments have a special programme for distributing improved looms, aided and monitored by the Handloom Development Commissioner of the Central Government, their rate of success is not very much higher or more significant. However, KVIC may continue to provide training in improved looms for persons who do not belong to the traditional handloom families, but wish to enter the handloom weaving occupation and use handspun yarn.

12.17 In weaving, there is an area where traditional looms could continue to play an important role and that is design weaving. We are informed that one of the reasons for the preference enjoyed by khadi furnishing fabrics is their intricate and attractive designs. In regard to such varieties of higher value, the traditional looms may still continue to enjoy advantage. KVIC should introduce jacquard loom with the accessories for pre-preparation of designs. There is great need for co-ordination between the khadi institutions on the one hand and the Handloom Servicing and Design Centres maintained by the Handloom Development Organisations of the Central and State Governments. KVIC will do well to evolve in consultation with those organisations suitable arrangements under which khadi institutions can take the help of the Servicing Centres.

12.18 **Post-weaving processing :** This is an area where considerable ground is yet to be covered. In the past a few khadi institutions used to maintain their own processing facilities with the financial assistance of the KVIC. Some of them have been closed down. Now several khadi institutions get their khadi cloth processed in the organised mill sector or private processing houses. We understand that khadi fabrics are transported over long distances for the purpose of processing and their prices get escalated as a result. We are of the opinion that the KVIC should intervene with a view to ensuring that adequate and proper post-weaving processing facilities are established in the KVI sector or atleast an optimum plan is drawn up for transportation by linking production units in different parts.

of the country with the nearest processing units of the public or private sector through rate contracts.

12.19 From the above discussion, it will be clear that in respect of hand-spinning of yarn, the most distinctive feature of cotton khadi activity, some significant advances in technology have already been achieved and more such advances are on the horizon. With the consequent improvement in productivity, it should be possible for this branch of the khadi industry to meet the challenge of the future. But all this will not be of much use, unless the handloom weavers, the eventual users find the yarn acceptable in the ordinary course. The present method of taking over some handloom weavers from the traditional families into what is generally called the khadi fold or to recruit new entrants and train them to weave khadi on the handlooms cannot, in our view, cope with the increased production that will flow from the new technology. A more permanent solution will have to be found by making the yarn acceptable in quality, price, timely supply etc., to the large mass of handloom weavers and their organisations. This problem is not an entirely new one. It had come up for consideration on earlier occasions, but the search for satisfactory solution could not be pursued vigorously because of certain inherent deficiencies of the handspun yarn. Some of these deficiencies have since been removed or are atleast on the verge of being removed. Competent experts have advised that with the introduction of a blow room line and power operated cards or the use of mill-made slivers, the six-spindle and twelve spindle NMCs are able to produce yarn of acceptable quality.

12.20 During our tours we have seen some samples of sarees and other varieties woven with mill yarn as warp and handspun yarn as weft. The committee were informed that yarn spun on the charkhas, especially on the New Model Charkhas, was quite strong and could be easily used for weaving on the handloom, outside the khadi fold. At the committee's instance, experiments were, therefore, conducted to weave cloth with mill yarn in the warp and handspun yarn in the weft. Tests were carried out to ascertain the strength of such cloth in comparison with handloom cloth, woven completely out of mill yarn. Separately tests were also conducted to ascertain the strength of handspun yarn for comparing it with mill yarn of similar counts. The experiments were conducted at two places viz., Coimbatore and Ahmedabad. These experiments indicated that, although the handspun yarn was relatively weak in CSP when compared to mill yarn of similar counts, it was strong enough for being woven on the handlooms. In fact, the yarn tested at Coimbatore indicated that some of the yarn samples were so strong as could be used for warp in handspun or weft in power looms. It can, therefore, be stated that the handspun yarn produced on the new model charkhas can definitely be used as weft on handlooms. The tests conducted for ascertaining strength of cloth similarly indicated that the tensile strength, tearing strength and abrasion resistance of the yarn used in weft was generally lower than that used in the warp, which was mill yarn. This result flows from the higher strength of mill yarn as compared to handspun yarn, as a natural corollary. Even so, the fact remains that these test results have clearly indicated

that yarn produced on the charkhas can be conveniently used as weft on ordinary handlooms, outside khadi fold.

12.21 Three problems have, however, come to our notice : (a) twist, (b) cost and (c) supply arrangements. The handspun yarn has a reverse twist and this, we understand, has been prescribed some time ago in order to distinguish handspun yarn from the mill yarn. It may not stand in the way of handspun yarn being used as weft. Even otherwise this being a problem of *modus-operandi* can be sorted out. The third problem is of an organisational nature and some mechanism like the yarn bank at the State or Central level will have to be developed for linking the handspinning centres with handloom weavers. The second problem of cost is by far the most difficult one. According to an estimate, the cost difference of similar variety of yarn is around 25 to 30 per cent and this gap has to be bridged, if handspun yarn is to be readily accepted by the handloom weavers. We recommend that the price of handspun yarn be equalised with that of comparable mill-made yarn by means of subsidy. The actual quantum may be fixed after a careful study of the comparative costs. The argument that the handloom cloth enjoys a rebate on sale and a grant of subsidy at the yarn stage will amount to a double concession need not stand in the way, as the specific purpose of the proposed subsidy for handspun yarn is really to sustain the creation of employment opportunities among rural folk as part of an anti-poverty programme and support to weaker sections.

12.22 Any attempt to produce hand-woven fabrics mixing mill yarn and handspun yarn is bound to attract criticism from the lovers of pure khadi. They fear that the question of spurious khadi will become unmanageable, if production of mixed fabric is encouraged officially. The problem of spurious khadi is as old as khadi itself. Despite the creation of elaborate certification mechanism, the problem has not disappeared and we are inclined to think that the problem has to be examined in proper perspective i.e., which is of paramount public importance, to keep the programme small and restricted in the interest of maintaining purity of khadi or to spread the hand spinning activity and increase employment opportunities, thereby taking advantage of certain basic characteristics of handspinning. It is by now well known that handspinning is a skill that can be easily imparted to the rural people within a short period of training and which can earn for the artisans a reasonable income comparable to the wages in the non-agricultural season. We should not hesitate to expand the handspinning programme by using mill spun yarn as warp, if necessary, though the problem of maintaining purity in khadi will be rendered somewhat more difficult than at present. If necessary, it may be given a different name.

12.23 At this stage, it is good to remember that when Gandhiji thought of the charkha and launched the spinning programme, he was trying to achieve several objectives. To ensure supply of raw material to the handloom weavers and to improve supply of cloth to the rural masses were some of his objectives. But after independence, it was considered necessary at the initiative of Rajaji, the Gandhian, to make some additional arrangements for supply of

yarn to handloom weavers and cheaper cloth to the poorer section. Groups of handloom weavers have come to own spinning mills in the co-operatives sector and are showing a clear preference for the mill yarn. As regards the supply of cheap cloth, Government relied initially on the mill sector in accordance with a special scheme but found recently that it did not work and it would be better to depend on handloom and subsidise them, if necessary a la the Janata cloth scheme. With the march of national policy and change of environment, Gandhiji's original idea of harmonising the interests of the rural spinners, rural weavers and the rural consumers has been forgotten. The discussion in paras 12.19, 12.20 and 12.21 may be treated as a fresh attempt at harmonisation and at bringing the spinners into the mainstream of cloth production.

12.24 The idea of making handspun yarn easily acceptable to the handloom weavers and using it as weft has been engaging the attention of the KVIC for a long time. The Chairman, KVIC has raised this issue at various fora in the past. However, very little progress has been made in giving concrete shape to this idea. We feel that time has come to examine this issue with all its pros and cons seriously. Since this proposition also concerns another Ministry and KVIC alone may not be able to undertake the task of examination of various aspects, we recommend that a high power group may be set up for this purpose. The Ministry of Industry should take initiative in setting up the group. KVIC should identify those institutions which are in a position to produce handspun yarn which would be acceptable to the handloom weavers. The group should prepare proper blue-print by undertaking experiments on pilot basis for identifying suitable varieties for manufacture of mixed fabrics and prepare a plan of action for linkages for handspun yarn with the handloom sector.

12.25 Our attention was drawn to the concept of using power in handspinning of cotton yarn. This is not a new idea as the proposition has been under discussion for several years in the past. The Khadi and V. I. Committee (1968) had earlier advised that there should be full scope for the introduction of technological improvement and use of power in spinning. After several discussions, the Planning Commission agreed in 1975 to sanction 100 centres to promote spinning with the use of power and weaving with pedal driven Nepali looms. A new term 'Lokvastra' was coined with a view to distinguishing the cloth produced under this scheme from khadi. It was added to the list of village industries in the schedule of KVIC Act. However, the scheme did not make much headway for more than one reason. KVIC seems to have hesitated to assume responsibility for promoting it. This is evident from the fact that it did not agree to selling 'Lokvastra' in khadi bhavans and bhandars and it asked the Government to find separate marketing channel by purchasing the cloth for its own requirements or for civil supplies. The Commission added that it would be prepared to set up units for production of 'Lokavastra' yarn only when a tie up with local requirements of handlooms is ensured by the Government. It is not surprising that the schemes set up by Tamil Nadu and Karanataka did not receive much encouragement. The Tamil Nadu State KVI Board had to close down the units after operating them for a decade. The fate of

the Karnataka unit was in no way different. We feel that all these efforts were made in a very haphazard way. We were informed that on several occasions that this scheme has been examined. Our attention was drawn to a study undertaken by late Mr. Robert Bruce of Intermediate Technology Cell, London who undertook evaluation of decentralised power spinning. We also gathered some data from the experiments conducted in Karnataka recently by Karnataka Khadi Gramodyog Samyukta Sangh, Bengeri, Hubli. However, all these studies have not provided the required direction for further action. It is, therefore, necessary to set up some units on pilot basis in different parts of the Country to undertake more vigorous techno-economic feasibility study. We suggest that KVIC should undertake experiments in a scientific way. If any special assistance is needed for organising this study, the Ministry of Industry should provide to the KVIC. The Ministry of Industry should monitor it and ensure that results are forthcoming. It is hoped that the Ministry will be able to take a final view on the use of power in spinning in consultation with the Ministry of Textiles and other authorities.

B. Woollen Khadi

12.26 Woollen khadi production in the country can be categorised as fine, medium and coarse varieties. Fine varieties are produced in the regions of North like Jammu & Kashmir, medium varieties in the plains of Haryana, Punjab, Rajasthan and Uttar Pradesh and coarse varieties in the Deccan belt covering Maharashtra, Karnataka and Andhra Pradesh. The main varieties of woollen khadi produced are – tweeds, coating, shawls and certain varieties of hosiery goods manufactured out of the Merino wool tops and finer varieties of local wool. Tweeds, shawls, shirting and some varieties of hosiery goods are manufactured out of medium varieties of indigenous wool available in the plains. Blankets, kambhis, ghongadies, dhables etc., are produced by using medium and coarse varieties of indigenous wool locally available in the States of Karnataka, Maharashtra, Andhra Pradesh, Madhya Pradesh, Rajasthan, Punjab, Haryana, Bihar and Uttar Pradesh.

12.27 Large numbers of people carry out woollen khadi activity on household basis. By and large, they produce for self-consumption or local consumption. In the Southern States, blankets are used by plantation workers and labour in the paddy fields. The problem is that the raw wool which is available in Rajasthan, is spun by the traditional method. For improving spinning, there is need to adopt a better pre-spinning techniques as in cotton. Considerable work is yet to be done in this direction. Similarly, coarse wool which is available in the South cannot be spun on the improved charkha, unless better varieties of wool are mixed to some extent and condensing is done. It is apprehended that with the expansion of woollen mills, raw materials are likely to be mopped up and only residual wool of inferior quality would be available to the hand spinning sector. As a result, the cottage sector may find it difficult to compete with the mills. Moreover, the imported shoddy will be used as raw material or directly. This again would create conditions of unfair competition. We

understand that the organised sector is already utilising nearly 10 per cent of the finer variety of raw wool available in the country. If this sector expands, there is possibility of utilisation of larger quantity of finer variety of indigenous wool to the detriment of khadi sector. Therefore, for the protection of woollen khadi activity, there is immediate need to improve pre-spinning processes and popularising the improved spinning equipment, along with making suitable arrangements for supply of wool tops of acceptable quality.

12.28 After the Indo-China conflict of 1962, arrival of Tibetan wool which used to be consumed in hill and border areas was stopped. Attempts to substitute Tibetan wool by wool from other areas have failed. To provide the much needed employment in these areas, KVIC started importing Australian greasy wool and made arrangements for its supply in hill areas. Greasy wool is converted into wool tops for supply to khadi institutions. The imported wool is largely utilised for producing woollen khadi cloth of finer varieties. To solve the problem of raw material viz., wool, KVIC should persuade the State Animal Husbandry Departments to include the sheep rearing in their programmes.

12.29 **Spinning :** In woollen khadi, the most important landmark has been the introduction of 4 spindle new model charkha, ideally suited to hilly areas which has increased productivity significantly. It is necessary to take up this programme vigorously and increase the supply and distribution of charkhas on a systematic basis.

12.30 For mixing the Merino wool with local wool to make tops, KVIC has adopted the condensor. These efforts should be continued with greater vigour so that there would be no problem of raw material and adoption of improved technology would be possible.

12.31 **Weaving :** The traditional loom continues to reign supreme. There is need to adopt improved technology in weaving.

12.32 There is scope for expansion of wool knitting. We have been told that KVIC has, of late, introduced some machines for hand knitting. These programmes may be expanded further.

12.33 **Post-weaving :** As regards processing the main problem is the absence of anti-shrink properties and soft finish, R & D work which is in progress needs to be intensified.

12.34 The Government of India had desired in 1962 that the KVIC should take steps to arrange the manufacture and supply of barrack blankets required by the Defence personnel. Accordingly, efforts were made to organise the production of barrack blankets by the institutions working in the States of Rajasthan, Punjab, Haryana and Uttar Pradesh by giving training to the institutions, workers and also guiding the institutions in selection of right type of raw wool production of right types of yarn and also the blankets. With the continuous efforts made by these years, the institutions could be able to produce and supply 1.00 lakh blankets annually. However, the specifications were modified in 1979. Thereby the insti-

tutions took some time to reorganise the production. Consequently, the supply order from DGS & D were not placed with KVIC for 2 to 3 years. Now the production programme has been reorganised. It would be possible to produce and supply around 40,000 blankets annually. The KVIC is expected to take part in the open tender and compete along with the private parties. Sometimes it is not possible to get the A/T order due to severe competition. It is advisable that the Ministry of Supply may consider to procure around 40,000 to 50,000 blankets annually as per rate contract on the lines of cotton khadi liveries purchased. This would help to stabilise the production arrangements and arrange the supplies in right time.

C. Silk Khadi

12.35 There is considerable potential for development of sericulture in almost all parts of the country. Although India has the distinction of producing all the varieties of natural silk, mulberry accounts for the major share followed by tassar, endi and muga in that order. The last two are concentrated in Assam and some other parts of North Eastern region. It is estimated that production of silk waste is around 19.57 lakh kgs. The production of coarse count of spun silk yarn in the handspinning sector is concentrated in Central and Eastern India. This sector comes under the purview of KVIC.

12.36 The Centre for Women Development Studies, New Delhi conducted a study in 1985-86 on silk industry in West Bengal. The report, inter alia, studied the role of intermediaries, of KVIC and its certified societies and the role of women in silk industry. Although potential areas for silk khadi are Karnataka and Andhra Pradesh, silk khadi activity has remained confined to West Bengal, Bihar, Assam and Tamil Nadu. This may be due to some organisations which have been active in these States. The study highlighted concentration of silk khadi activity in the hands of few families. The conclusion drawn by the Report is reproduced below :

“These are basically the characteristics of the middle man operating in any unorganised manufacturing sector. KVIC has, therefore, failed to protect the weavers and reelers against the exploitation of the middle man”.

12.37 We agree with the above view. In fact, KVIC has been insisting upon the silk khadi institutions to organise composite units covering handspinning/reeling and weaving for sound growth. The Central Certification Committee has laid down guidelines for registration of institutions in an area keeping in view the objective of viable working of the institutions. However, we were told that pressure is brought on KVIC and the Government by some for issuance of certificates without taking into account the possibility of viable growth. It was brought to our notice that as many as 36 societies are concentrated in Malda district (West Bengal) alone. One can imagine how many of them would be able to run on viable basis. We recommend that for sound development of silk khadi industry in the country, composite type of units alone should be set up and certificate is issued only on the basis of viability.

12.38 We have also received complaints that some of the silk khadi institutions are using filature yarn. In view of the above facts and other reasons, we think that a stage has come to consider the justification for continuance of mulberry silk khadi as one of the activities of the KVIC. As regards Endi, Muga and Tussar, we would affirm that KVIC should continue to take interest as the persons employed in these activities invariably belong to weaker sections and backward areas. According to us, the real area of KVIC's attention is spun silk variety. Although improved charkhas have been developed for spinning of silk waste, adequate efforts have not been made to introduce it in the field.

12.39 Like cotton khadi, in some areas processing is done through private houses. Our comments on processing of cotton khadi are equally applicable to silk khadi.



CHAPTER 13

VILLAGE INDUSTRIES – SOME PROBLEMS AND SUGGESTIONS

The production of village industries under the purview of KVIC increased from Rs. 10.93 crores in 1955-56 to Rs. 929.02 crores in 1985-86. During the same period, employment increased from 3.09 lakhs to 25.61 lakhs. The Annex I gives the details of production, sales, employment, earnings/wages in different village industries in 1985-86. For ready reference, the village industries may be grouped according to the value of annual production and the volume of employment. The following groups may be identified on the basis of the figures for the latest year 1985-86.

TABLE 1

Categories	Industries
A. PRODUCTION	
(i) Above Rs. 100 crores	Ghani Oil, Village Leather, Carpentry and Blacksmithy
(ii) Above Rs. 75 crores but less than Rs. 100 crores	Gur and Khandsari
(iii) Above Rs. 50 crores but less than Rs. 75 crores	Processing of Cereals and Pulses and Village Pottery
(iv) Above Rs. 25 crores but less than Rs. 50 crores	Palm Gur and other palm products, Non-edible Oil and Soap, Fibre, Lime Manufacturing and Biogas
(v) Above Rs. 10 crores but less than Rs. 25 crores	Cottage Match, Beekeeping and Cane and Bamboo
(vi) Less than Rs. 10 crores	Handmade Paper, Collection of forest plants for medicinal purposes, Shellac, Gum Resins, Katha, Fruit Processing and Preservation, Household aluminium utensils and Poly Vastra.
B. EMPLOYMENT	
(i) Above 1,00,000	Village Leather, Gur and Khandsari, Palmgur, Beekeeping, Pottery, Fibre, Carpentry and Blacksmithy and Gum Resins
(ii) More than 70,000 but less than 1,00,000	Processing of Cereals and Pulses, Ghani Oil, Collection of Forest Plants for medicinal purposes, Cane and Bamboo
(iii) More than 50,000 but less than 70,000	Lime Manufacturing
(iv) More than 25,000 but less than 50,000	Cottage Match
(v) More than 10,000 but less than 25,000	Katha and Biogas
(vi) Less than 10,000	Shellac, Fruit Processing, Household Aluminium Utensils and Poly Vastra

13.2 One of the criticisms often levelled against KVIC is that it has not been able to bring within the ambit of its development programme the large majority of the artisans eking out their livelihood in the industries under its charter. For example, against the estimated 12 lakh artisans engaged in village leather in 1971 (latest figures not available) KVI programmes could reach about 1.96 lakhs only by 1985-86 (i. e. 16 per cent). Similarly, as against 13 lakh artisans in village pottery in 1971, 2.74 lakhs or 21 per cent only were covered by 1985-86. The maximum coverage recorded is 31 per cent in village oil. Next in order is 22 per cent in fibre. There are several reasons for this situation. First it may be pointed out that KVIC is not the only agency for assisting the artisans of village industries and those assisted under other programmes like IRDP, Special Component Plan for SC and Tribal Sub-Plan for ST and by other agencies like the Leather Development Corporation are not included in the above figures. Second, neither the KVIC nor the State Khadi and Village Industries Boards have been able to command organisational resources, so as to match the dispersed nature, the small size of the operating units and other decentralised characteristics of these village industries. Third, there are still many problems in regard to the appropriate technology to be used, the supply of equipment and raw materials, the disbursement of credit, training for upgradation of skills and marketing of products that remain to be solved. We hope that the measures suggested in earlier Chapters on these aspects will go a long way to improve the coverage of the artisans of village industries in the coming years. In this Chapter, we shall offer supplementary suggestions in respect of some village industries.

13.3 We received a representation from the Tamil Nadu State Palmgur Workers' Association that the interests of their constituents and the artisans engaged in the industry will be secured better, if a separate Commission be created for the Industry by deleting it from the Chapter of KVIC. Perhaps, the petitioners have the analogy of the Coir Board in mind. We have carefully considered the representation. We are unable to accept the suggestion for two reasons; First, KVIC has done and is continuing to do valuable work to upgrade the technology and to promote Research and Development efforts for improving the value of the palm products and creation of a separate organisation at this stage will be harmful. Second, as the problems continuing to afflict the industry are not organisational in nature but are related to Science and Technology and other Government Policies such as Prohibition, the creation of a new organisation will, in no way, help solve them. However, we would advise KVIC to take their representation as a sign of cooling in its relations with the vocal interests in this industry and to redouble its efforts to establish proper rapport with them. KVIC's general policy should be to encourage the different village industries to form federations of their own whenever possible, to meet them periodically, to give them a sense of participation in policy making through consultations and to publicise its efforts to solve their problems.

13.4 In para 3.5 we have recommended that the village industries be redefined for the purpose of the KVIC Act, on the basis of location and size of capital investment. This will

widen the jurisdiction of the KVIC considerably. In view of this definition, we do not propose to confine our discussion of the problem of village industries to the few that are now included in the schedule of the KVIC Act. In this, we are also influenced by the consideration that the problems of the latter have been covered in detail by the reports of the different working groups and sub-groups constituted in connection with the Seventh Five Year Plan and there is no point in merely reiterating their conclusions. We would prefer to lay stress on the need to evolve a new strategy which will enable the KVIC to take work and wages on a much larger scale to the indigent sections of the rural people. While we are conscious of the need to resuscitate to the extent possible, the traditional village crafts, specially those which have a large employment potential, we have to be realistic and recognise that, due to the various policies of planned development and the changes in the value systems and life styles of the people, the decline of some village crafts cannot be prevented. We have cited some instances in Para 2.2. The most appropriate example in this context is the village tanners and cobblers whose products have become redundant due to the extension of electricity to irrigation wells and the use of pump sets. There is also the other example of the village potter who largely produces wares for the poorer sections. With the improvement in the economy, the use of earthen pots and pans is bound to affect the potter adversely.

13.5 We may classify the redefined village industries under six broad heads : (a) industries based on post-harvest technology; (b) other farm associated activities; (c) crafts supplying products and services necessary for village life; (d) construction activities; (e) non-renewable energy schemes and (f) manufacture of new consumer products. Some of the village industries may fall under more than one class. Some degree of overlapping is inevitable and this need not bother us, as the purpose of the above classification is merely to facilitate discussion.

13.6 The first group based on post-harvest technology will cover some of the existing village industries like pulses and cereals processing industries (PCPI), ghani oil, palmgur, gur and khandsari, fruit preservation etc. It will also include a wider spectrum like condiments and curry powders, storage of grains and other agricultural products, use of agricultural residues etc. The stress will be on enabling the village to undertake processing of as much of the products as possible instead of exporting them as raw materials for urban industries. An important aim of post-harvest technology is to preserve the nutritional value of the agricultural produce. In the case of processing of paddy, the KVIC has been encouraging the use of the dehusker and polisher. While these machines may be manufactured and maintained by village craftsmen, they cannot compare with the rubber rollers used in milling in terms of efficiency. Hence the KVIC should design a machine, scaled down to village unit size, using rubber rollers. This will greatly increase the efficiency of milling, while preserving nutrition in the grain. Similarly in the case of millets like jawar and bajra, KVIC should design a simple machine which will eliminate the drudgery associated with traditional tools used in their processing by village women. Again, though the KVIC has succeeded in intro-

ducing power ghani for the extraction of oil, it has yet to solve the problem of reducing the free fatty acid (FFA) content in the oil to the permissible limit. A simple process of refining after extraction of oil will have to be evolved. In the case of beaten rice, flaking machines have to be introduced to give higher productivity and make it more competitive. Apart from grains, pulses are required to be processed. Here again, the use of improved technology needs to be stressed. In addition to getting higher recovery of split pulses, it is necessary to eliminate the stone and other materials which usually get mixed up. The use of power-operated stones-separator will greatly increase the marketability of the processed pulses.

13.7 In cane crushing, the present technology leaves a high percentage of juice in the bagasse. A crusher which increases juice extraction efficiency has to be designed. As jaggery contains higher nutritive elements compared to crystal sugar, it should be the endeavour of KVIC to preserve as much nutrition as possible while processing jaggery.

13.8 In palmgur industry, a simple device, which will reduce the strain of climbing and increase the number of trees to be tapped by an artisan within the given time will bring down the cost of production significantly. The possibility of increasing the production of a soft drink, which has already proved its popularity, has to be explored. In west Bengal, palm syrup is a delicacy. The improved methods of manufacturing palm candy and packing them in attractive cartons, will increase their marketability.

13.9 Under other farm associated activities, mention may be made of beekeeping, fertiliser mixing, poultry and cattle feed making units, general packaging, social forestry, seed treatment plants etc. According to recent research studies, pollination by bees has a salutary effect on crop production. So Beekeeping has to be given an important role in the programme for augmenting agricultural production. Lately, agricultural scientists are expressing concern about the ill-effects of the increased use of chemical fertilisers, pesticides and insecticides and are recommending other natural plant nutrients like Algae and green manure for increasing the supply of nutrition to the crops. In this context, it would be fruitful to utilise the services of the agricultural scientists to popularise pollination work through bees and to develop apiary on a large scale. One of the constraints faced by the beekeepers is the indiscriminate spraying of pesticides. It may not be practical to bring in legislation to control this harmful practice. Some method by which bees can be kept in hives during the periods of intensive spraying should be found out through research.

13.10 In undertaking cattle feed mixing and poultry feed mixing, the endeavour should be to utilise the by-products of the PCPI. The protein content of these feeds should conform to the standards. All materials which may contain aflatoxin should be carefully handled.

13.11 As regards the third category, it is necessary to remember that services which are in the nature of maintenance are as important as products. We have stressed this aspect in

redefining village industries for the purpose of KVIC Act in Chapter-3. The service sector is bound to grow in rural areas and provide job opportunities on a large scale. The following examples may be mentioned : maintenance of hand pumps, drinking water systems with over head tanks, repair of sprayers, dusters, tractors, harvesters, cycles, radios, T.Vs., electrical gadgets, LPG burners, charkhas, handlooms and other village industries equipment. The maintenance and service sector in rural areas has to be organised somewhat differently, from that in the urban areas. It must also include a small manufacturing section that can turn out some of the spares at short notice. Here, the need is for evolving training courses in the maintenance of different types of machines and tools. KVIC should draw up a comprehensive training programme for the maintenance and service sector and attach these training courses to the rural workshops already established in the country. They should also utilise the TRYSEM programme for this purpose.

13.12 In the case of village crafts like blacksmithy, carpentry, pottery, lime burning, leather etc., the main point for attention is how to adapt them to meet the present requirements of the village people. Blacksmiths and carpenters are largely concerned with the manufacture of agricultural implements, bullock carts, doors and windows etc. Their skills need to be upgraded either by arranging training in situ or by providing common facilities. It may not be difficult to persuade them to adopt improved models or designs of bullock carts and agricultural implements that have been evolved by various research bodies in the wake of new agricultural production technology. In addition, they should take up the manufacture of new products like containers, hardware items etc. These basic trades have to be strengthened if the industrial infrastructure in the villages is to be put on an efficient basis. It is, therefore, necessary that, wherever clusters of blacksmiths and carpenters exist, common service facilities should be built up and improved equipment provided. Another important service is stocking of metal scrap and other raw materials required by these artisans. As regards pottery, diversification is the only method of survival. Selection of the needed articles, their designs, the related technology and retraining need close attention. Common firing facilities will greatly enhance the quality of the wares. In leather, tanning should include both skins and hides, improved processing like drum tanning and finishing will alone help the village tanner to keep his trade alive. The scope for innovative measures is very large in footwear and leather goods manufacture. Here, designing and better finishing need immediate attention.

13.13 Construction activities are bound to increase in the villages in the coming decades. Most of the development programme have a large construction component. The materials for construction like bricks, tiles, stone, laterite blocks, lime stone jelly, lympo cement, doors and windows, electrical wiring, cement jali work etc., all such varied items that go with construction work are to generate employment opportunities for village artisans. In the programmes for providing houses to Harijans, new techniques of construction are being introduced. One such is clay compacted green bricks. These are areas where unskilled

labour in the villages can be employed. Similarly, vetrified flooring tile is another area where employment on a big scale can be planned. In stone cutting, improved technology can be introduced in the facing of stones. With the extension of electricity, electrical wiring has a promising future. Similar is the case of cement jali work. Further, KVIC may also examine the possibility of manufacturing distemper and paints on a small scale.

13.14 The importance of the fifth class of village industries is derived from the emphasis in the Seventh Five Year Plan on conservation of energy and utilisation of non-conventional energy sources. Just now, the biggest programme is that of bio-gas development. KVIC has played a pioneering role in this matter. Although other organisations have lately entered this field, KVIC with its experience should be able to maintain its lead and to innovate further. The next area will be solar energy followed by wind mills. Millions of improved choolas (stoves) which are being installed under the energy conservation programme should help potters in particular. All these can provide work opportunities to both the semi-educated and the unskilled in the villages. Each item will have to be studied in great detail and a scheme formulated to train new entrants for these jobs. In order to demonstrate their usefulness, we would advise establishment of a few demonstration centres in each State where all the equipment for non-renewable energy sources can be manufactured by using simple techniques.

13.15 As regards the Sixth group of industries, there is evidence to show that the demand for new consumer products is growing as a result of economic improvement in the living standards of large section of the people. It would be necessary to study the demand potential for such products in the urban as well as rural areas and examine how far these can be manufactured in villages, using the labour available there. Poly Vastra, woven on handlooms with handspun cotton blended with polyester is one such item. The clientele of Poly Vastra is different from that of khadi and the number of the former is increasing rapidly. KVIC will do well to give more attention to Poly Vastra production and improve the technology employed for it. The first step should be to study the different blends of polyester and cotton and standardise them. Other fibres like viscose, acrylic may also be used for blending. Acrylic specially will blend well with wool and get readily accepted in the market. Then there is the critical area of warp preparation, specially the choice of the proper sizing material. It would be necessary to establish a development centre to study all these problems and standardise the process. At present, finishing of the fabrics is done in reputed mills. While this practice may continue, it is necessary for KVIC to develop common facilities for finishing at suitable locations in view of the fact that in blended fabrics, finishing plays a significant role in promoting saleability.

13.16 Another new product that is becoming increasingly popular is the detergent cake. It is likely to outsell the commercial laundry soap which is based on oil. KVIC had done a lot of work on promoting the use of non-edible oils in soap making. In view of the growing

preference for the chemical based detergent material, particularly in conditions of hard water, KVIC should undertake the study of detergent preparations to examine whether a combination of oil based soap and detergent materials is possible. In toilet soap, the emphasis has to be on quality. KVIC which is already engaged in the work of improving the quality, has to study further the demand in the market and tune the production of village industries sector accordingly. One area that deserves attention is the blending of perfumes. It is possible to cut costs while meeting fully the requirements of the KVI sector.

13.17 Other products whose demand is growing are cleaning powder, tooth paste, tooth brush, polishing creams etc. KVIC may employ consultants for all these products and evolve suitable schemes which can be taken up in the countryside.

13.18 The earnings of the artisans in village industries can be increased only by undertaking the manufacture of value added items. In choosing these items, care may be taken to claim such a share for village industries in the larger numbers that can justify the establishment of viable units of production in the villages. For example, in the education programme, a large amount is set apart for educational equipment, including toys. Several of the items can be made by the village industries. Steel furniture is a value added item that can be made by the rural artisans. In the area of food, there is growing demand for home-made cheese. Malts is another item that is being used by many. Things like agarbattis are also in great demand. All these will not only provide new job opportunities but also enable people to set up viable units in the countryside.

13.19 It must be remembered that due to regional diversities, the same technology may not be workable in all the areas of the country. Attempts will have to be made continuously to adopt the technology suitable for each area and to upgrade it gradually over a period of time. While stress should initially be on utilising the existing skills to the extent possible, attempts must be made to create new skills. KVIC and SKVIBs have to play an important role in this regard. Something on the model of Small Industries Service Institute will have to be worked out. To begin with, this may be done on a regional basis and as work grows, a separate institute may be planned for each State. In the initial stages, it will be worthwhile for KVIC and SKVIBs to co-ordinate with the Small Industries Development Organisation as the latter is likely to have relevant information and skills on some of the village industries falling within the new definition.

13.20 Before we close this Chapter, we may briefly refer to the important findings of the study undertaken at our instance by Tata Economic Consultancy Services (TECS) on Bee-keeping and honey marketing and the main conclusions of the National Seminar on Hand-made Paper organised, again at our instance, by National Institute of Small Industries Extension Training (NISJET), Hyderabad.

13.21 According to the TECS study, the production of honey can be increased partly by improving the yield per colony and partly by increasing the area under beekeeping. For

increasing the yield per colony, two suggestions have been made : Proper migration of bee colonies at appropriate intervals through better transportation and infrastructural facilities; and distribution of high yielding bees ('APIS MALIFERA') which are known to produce an average yield of almost 20 to 30 kgs. per colony. The taming of 'DORSATA BEES' can bring much untapped potential area in the North Eastern region under commercial beekeeping. But the attempts to increase production will not bear fruit unless suitable matching measures are taken to procure the raw honey in time by opening more purchase centres, by making prompt payments to the beekeepers and by providing adequate transport and storage arrangements. There is also need for reviewing the existing processing facilities and expanding processing units to attain the economic size. Cost of packaging which is at present high can be reduced by reducing the number of stages of repacking and the middlemen engaged in this activity and by substituting glass bottles with cheaper plastic containers. The present AGMARKING standards and practices also need to be changed. Particular mention has been made of the provision for exhibiting expiry date which has been fixed unrealistically. Although khadi bhandars account for a large percentage of the sales of honey, they do not play a significant role in wholesale. The study has also highlighted the need for promotional campaign. Beekeeping being an activity associated with agriculture and forestry and thus eminently suitable to be developed as a village industry, KVIC should play a much bigger role than at present and take up the processing, packaging and marketing of honey in a systematic manner. The Marketing Corporation, we have envisaged, should follow up the points brought out by the Report of TECS and draw up a plan of action for higher production, better distribution and more efficient marketing.

13.22 The National Seminar on Handmade Paper has made recommendations on technology, raw materials, marketing, training and finance. Some of the more important points may be noted here. As regards technology, there was consensus on the introduction of the power driven cylinder mould vat of 33" phase. The need for designing a low cost improved drier and a simple deinking machine was also stressed. As regards raw material, it was recommended that a more efficient system of collecting waste paper from State Government departments and educational institutions should be organised, and mother pulp units should be set up on a decentralised basis for utilising agrobased residues. On marketing, the recommendation was that the Government should reserve some varieties for purchase from KVI sector (for example drawing paper required by Geological Survey of India, Survey of India etc., personal stationery like D. O. letter heads and grey boards of 6 to 12 ounces). KVIC was advised to adopt a consortia approach for enabling decentralised units of the sector to make supplies of requisite quality against orders procured from Government and for export purposes. The Seminar also made suggestions for improving training and for meeting the working capital requirements of the units. All these recommendations will no doubt be examined by the KVIC expeditiously for initiating suitable action by itself or for moving the appropriate authorities.

13.23 To conclude, the above paras are meant to indicate the broad lines on which the wide ranging problems of different types of village industries will have to be tackled in the interest of creating new vistas of non-farm employment. The problems of village industries have to be attacked on a wide front. The search for solutions would involve technological innovations, organisational improvements, expanded training, new measures for financial support and marketing initiatives.



ANNEXE I (Para 13.1)

**Details of Production, Sales, Employment, Earnings/Wages
in Different Village Industries 1985-86**

(Value Rs. in crores)

Sr. No.	Industry	Unit	Production (1985-86)		Sales (1985-86)	
			Qty.	Value	Qty.	Value
VILLAGE INDUSTRIES						
1.	Processing of Cereals and Pulses		—	72.70	—	81.71
2.	Ghani Oil	Lakh Qtls.	25.32	198.54	24.49	208.62
3.	Village Leather		—	136.65	—	163.83
4.	Cottage Match		—	16.55	—	17.75
5.	Gur and Khandsari	Lakh Qtls.	29.73	83.74	29.28	95.04
6.	Palngur		—	45.42	—	53.97
7.	NEO Soap*	Lakh Kgs.	433.99	33.89	415.95	35.00
8.	Handmade Paper	Tonnes	6,013	4.39	5,384	4.63
9.	Beekeeping	Lakh Kgs.,	62.11	12.46	55.39	13.89
10.	Village Pottery			72.60	—	87.53
11.	Fibre			28.27	—	33.98
12.	Carpentry and Blacksmithy			116.12	—	134.30
13.	Lime Manufacturing			28.09	—	34.47
14.	Gobar Gas			39.85	—	—
15.	Collection of Forest Plants			2.81	—	2.47
16.	Shellac			0.04	—	0.01
17.	Gumand Resins			3.94	—	4.21
18.	Katha			3.41	—	3.70
19.	Fruit Processing			4.92	—	5.33
20.	Cane and Bamboo			20.46	—	24.15
21.	Household Aluminium Utensils			1.06	—	1.18
22.	Poly Vastra			3.12	—	3.00
23.	Manufacture of Rubber goods			—	—	—
Total :			—	929.03	—	1,008.77

* : Production of soap only.

ANNEXE I (Para 13.1)—*contd.*

Sr. No.	Industry	Employment (in lakhs)			(Rs. in crores)
		Full-time	(1985-86) Part-time	Total	(1985-86) Earnings
1.	Processing of Cereals and Pulses	0.50	0.32	0.82	12.81
2.	Ghani Oil	0.36	0.35	0.71	18.76
3.	Village Leather	1.32	0.64	1.96	36.88
4.	Cottage Match	0.32	—	0.32	3.15
5.	Gur and Khandsari	1.40	—	1.40	15.99
6.	Palmgur	—	6.40	6.40	33.74
7.	NEO Soap	0.06	1.20	1.26	6.57
8.	Handmade Paper	0.04	0.01	0.05	1.31
9.	Beekeeping	—	2.08	2.08	9.97
10.	Village Pottery	1.37	1.37	2.74	34.11
11.	Fibre	1.15	0.85	2.00	15.25
12.	Carpentry and Blacksmithy	1.29	0.61	1.90	44.86
13.	Lime Manufacturing	0.26	0.25	0.51	8.69
14.	Gobar Gas	0.20	—	0.20 ^E	—
15.	Collection of Forest Plants	0.02	0.85	0.87	1.04
16.	Shellac	*	*	*	0.01
17.	Gum and Resins	0.01	1.21	1.22	2.78
18.	Katha	0.01	0.11	0.12	0.63
19.	Fruit Processing	0.02	0.05	0.07	0.78
20.	Cane and Bamboo	0.50	0.41	0.91	8.46
21.	Household Aluminium Utensils	*	*	*	0.20
22.	Poly Vastra	0.07	—	0.07	1.08
23.	Manufacture of Rubber goods	—	—	—	—
Total :		8.90	16.71	25.61	257.07

* : Less than 500.

^E : Estimated.

CHAPTER 14

POLICY SUPPORT

While including the promotion of khadi and village industries in the strategy of planned development, the policy-makers did recognise the need for a package of supporting policies. The Second Five Year Plan specifically advocated adoption of regulatory measures such as reservations, controls, fiscal concessions and preference in allocation of raw materials and purchase of finished goods. It also envisaged the preparation of common production programmes for the village and small scale industries sector on the one hand and the corresponding industries in the organised sector on the other. In actual practice, however, several of these ideas could not be pursued to their logical conclusions. Practical difficulties, pressures from vested interests and inadequate appreciation of the importance of support policies have, of late given rise to doubts about the wisdom of some of the support policies. Special concessions to the KVI sector by way of subsidies, rebates etc., have also come to be attacked by some, on the ground that the consumers deserve better quality for the prices they pay and greater competition should be introduced among different producers in the large interests of the economy as a whole. There is also a general preference for replacing physical controls and reservations by fiscal controls and incentives on the ground that the former leads to corrupt practices. In this Chapter we shall discuss the relevance of different support policies in the present context.

14.2 The need for suitable policy support was originally justified on the following grounds :

- (a) KVI activities have an important role to play in generating employment at low cost among the socially and economically backward strata of rural society, particularly in remote areas;
- (b) KVI activities, if developed properly, can arrest the exodus of population from rural areas to urban areas to some extent and thus reduce social costs of urbanisation.
- (c) KVI sector projects being labour intensive and short gestation should be viewed as a corrective to inflationary pressures in a situation where a large chunk of national resources is required to be invested in the establishment of capital intensive projects of long gestation; and
- (d) Khadi and Village Industries, which are desirable in terms of (a), (b) and (c) above, are not in a position to withstand competition from the organised sector and should, therefore, be protected.

14.3 A reference to the Seventh Five Year Plan document will show that the above considerations have not lost their validity and are likely to be relevant for the next fifteen years or so. The pressure of population continues and the size of rural unemployment has not ceased to cause concern despite impressive strides in agricultural production. Migration from rural areas to urban centres in search of employment has not abated. In fact there are reasons to think that the improvements in transport and communications have accelerated the pace and volume of migration. The Government have also thought it fit to undertake large anti-poverty programmes oriented towards the identification of the poor and grant of special assistance to them for self-employment in non-farm activities. The changes that have occurred in the perceptions of the planners and their experience over the years might have reduced to some extent their faith in KVI sector as a corrective against inflation. But so long as the basic conditions referred to at (a) and (b) persist at the grass-roots, it cannot be gainsaid that special policy measures are necessary for promoting KVI activities in the rural areas. It is on this conviction that we have recommended in Chapter 3 that the scope of village industries should be broadened to include non-traditional activities and that a concerted attempt should be made to cover all viable clusters of villages by the turn of the century. Policy support in various forms is essential for making these attempts a success.

14.4 Our attention has been drawn to the following recommendation of the All India Khadi and Village Industries Board at its meeting held in March, 1986 at Bombay : "The Board felt strongly that there is need for according a separate place for KVI sector and not club it with the modern small scale sector as at present, as what is good for the small scale sector is not necessarily so for the KVI Sector, specially in areas where both produce similar products that would compete with each other. The Board, therefore, urges upon the Government to realise the need to make available relative benefits to KVI Sector vis-a-vis the small scale and large scale industries". Earlier, the Working Group on KVI set up in connection with the Seventh Five Year Plan had suggested that KVI should be segregated from the modern small scale sector and a differential treatment given to the former to enable them to compete not only with the organised sector but also with the modern small scale sector. In this connection, reference may be made to the findings of the Study of the KVI activities in Tamil Nadu (1982) by the Economist Group, sponsored by KVIC and financed by IDBI. The Group pointed out the instances in which the modern small scale sector grew at the expense of the KVI Sector. There are reasons to believe that this tendency is not peculiar to Tamil Nadu and is prevalent in other States as well. When the limits for excise concessions or exemption were raised, many of the village industries lost their preferential position and were brought on par with the modern small scale units in urban locations with lower employment component. This was particularly true of hand-made paper, village pottery, village leather, match manufacture and soap manufacture. The recent change in the definition of small scale industries without any regard to ICOR (incremental capital output ratio) or location or employment component has worked to the disadvantage of the

KVI Sector. A roadside cobbler with an investment of a few rupees and a small scale industrialist with a comparatively larger investment and manufacturing a superior product are treated alike, although their problems are entirely different, their interests incompatible and their competitive abilities uneven. We think that the essential difference between the conditions in which the two operate should be recognised and the weaker of the two protected against unfair competition from the other. In our view the time has come to distinguish village industries from small scale industries, instead of grouping them together in one sector, VSI, and to devise measures of support for each of them on a differential basis, providing a weightage in favour of the village industries as defined by us in Chapter 3.

14.5 Although khadi and village industries fall in the category of small industries, the benefits meant for small industries do not flow because of the departmental arrangements. The development of khadi and village industries is looked after by the KVIC for its aided institutions and by State KVI Boards for the units under their purview. We were informed that the Directorates of Industries of State Governments insist that these units should also be registered with them for receiving benefits. We are of the view that any unit certified by the KVIC/KVIB should be entitled to receive benefits which are meant for small industries from the Directorate of Industries, and a suitable procedure for registering all such units at the state level should be evolved.

14.6 Support policies may be divided into two broad categories, positive and protective. The main items of the positive category are maintenance of the KVIC set up, special assistance for research and development of appropriate technology, provision of public funds at a low rate of interest or free of interest, subsidies towards interest, transport costs and selected over-heads, rebates on sale of khadi and preferential treatment in regard to raw materials and government purchases. In the protective class fall items like reservation of some articles for the sector, common production programme, differential taxation and exemptions from certain laws. Preferences in price and purchase which are discriminatory are sometimes classified as protective rather than as positive.

14.7 There is not much controversy on the support policies of the positive kind. We have made our comments in the previous Chapters on the KVIC set up and research and development. In regard to supply of public funds at a low rate of interest or free of interest some have argued that interest being an inevitable cost and an economic device to judge the cost effectiveness of alternatives, it will be in the public interest to charge the full rate of interest in the first instance and if necessary, provide subsidy separately for reducing the burden of interest on the given activity to the extent desirable. This procedure, in their view will eliminate hidden subsidies and enable the public to judge the true cost of the operations. It would also facilitate the change over in future to a system of compelling the activities to bear the burden of interest to the extent of their capacity to bear from time to time. This point of view was specifically presented to us by Prof. Dantwala. We as a Committee

would not deny the theoretical soundness of this view, but would hesitate to recommend its adoption in the present circumstances. We think that before a practical system is evolved in accordance with the above view, it is necessary to find an answer to a more basic question — is it correct to give loans, when it is clear that loans cannot be repaid ? While discussing the financial procedure, we have commented on the need for rebuilding the finance of the KVIC by providing a corpus or an equity base, instead of the present method of giving loans for five years and renewing them from time to time. Subsidy is also being provided equal to the interest due every year and is being adjusted in accounts. This practice will be more meaningful after a decision is taken on the question of corpus. At present, loans given by KVIC to implementing agencies for khadi development are free of interest while loans in respect of village industries carry the rate of 4 per cent. Thus, a beginning can be said to have already been made to distinguish between activities that can bear a rate of interest and those that cannot. A suggestion has been made in another Chapter for introducing an administrative charge of 1 per cent or so. Under the Interest Subsidy Scheme relating to bank credit also, the recipients are being asked to gradually bear a part of the interest. We would, however, hasten to add that any further exercise in this direction should be made after a very careful study of each type of activity. It is not correct to group all village industries together and subject them to one rate of interest. For the present, we do not recommend any change in the present arrangements about the rate of interest applicable to loans given to khadi and village industries.

14.8 The problems relating to the flow of credit to the V. I. Sector were studied recently by a Committee appointed by the Planning Commission under the Chairmanship of Prof. A. M. Khusro. This Committee made a number of recommendations in respect of village industries in its Report of 1984. We understand that the Report is still under consideration of the concerned authorities. We trust that suitable decisions will be taken soon. Meanwhile, we take note of the important points made by RBI and NABARD, when we hold discussions with them.

14.9 While appreciating the Reserve Bank's gestures in including KVI in the priority sector, standardising the rate of interest at 12.5 per cent and exempting KVI Sector from credit squeeze and selective credit control regulations, we made three requests to the Bank : first, to fix a sub-ceiling for khadi and village industries under the priority sector; the second, to instruct the lead banks to make a specific provision for the KVI sector in the District Credit Plans; and the third, to exempt remittances to and from KVI institutions from the usual bank charges as before. The Reserve Bank has accepted the second request but expressed difficulties in accepting the first and the third. The reasons given in regard to the first point was that it would be extremely difficult to monitor the compliance with the sub-ceiling. We reiterate that we are still of the view that sub-ceiling should be fixed without which KVI Sector would not get its legitimate share. We feel that this would not be beyond the ingenuity of RBI. We, however, hope that a specific provision in the District Credit

Plan for KVI activities will remove practical difficulties in the way of eligible beneficiaries availing bank credit and may eventually lead to a better flow of credit. As regards the third point, we were informed that the Reserve Bank was in no position to advise commercial banks to waive the usual charges as it would be contrary to the general policy of enabling banks to cover their expenses adequately and of not eroding their profitability unduly. But KVIC can perhaps approach its bank or banks to show some concession in view of the size of the transactions. The new financial procedure suggested by us may also reduce the burden of bank charges. We suggest that KVIC may work out the full implication arising out of the imposition of the bank charges on its activities and approach the Ministry of Industry with a request to take up the matter with the Finance Ministry and in case, the Finance Ministry expresses its inability to agree for restoration of the original position, the Government may sanction suitable subsidy.

14.10 During 1985, NABARD announced two credit support schemes for village industries. The General Refinance Scheme aims to refinance banks in respect of financial assistance given to them to individuals, proprietary/partnership concerns upto Rs. 2 lakhs and to groups of individuals upto Rs. 5 lakhs by way of term loans or composite loans. Under the same Scheme, individual artisans can be helped upto Rs. 30,000 by way of composite loans on soft terms. The Infrastructural and Promotional Scheme seeks to provide term loan assistance to voluntary/promotional agencies to enable them to expand their activities in regard to village industries such as mini-industrial estates, raw material depots, delivery vans, show rooms, godowns, worksheds etc. Project formulation and consultancy are also eligible for assistance under this Scheme. Special assistance was also announced for tribal areas and North Eastern Region. The Soft Loan Assistance Fund for Margin Money was created to finance banks to help individuals and industrial cooperatives. The banks were allowed to charge 1 per cent only on the margin money loan as a service charge. Loans to institutions registered under the Societies Act 1860 were declared eligible for the refinance of NABARD. These Schemes were drawn up generally on the lines indicated by the Task Force set up by NABARD in 1982 to advise on the role of NABARD in the promotion of village industries. Considering that these policies came into force in the last quarter of 1985 and a great deal of follow up action had to be taken to see that they were disseminated among the lower echelons of banks and field agencies and implemented in the spirit in which they were formulated, it is too early to comment on the impact. No reliable information is as yet available on the volume of refinance or direct assistance disbursed by NABARD, in pursuance of these policies.

14.11 Next, we may take note of the transport subsidy scheme applicable to North Eastern States and hilly districts of U.P., J & K., H.P., Lakshadweep and Andaman Nicobar Islands. This scheme was sanctioned in respect of other industries by Government Notification No 6(26)/71-IC dated 23rd July, 1971. Because of simplification in procedure made in 1985 KVIC was able to avail of the facility of the Scheme. It is expected that this scheme would particularly benefit khadi and those village industries which are likely to involve transpor-

tation of raw materials over long distances (e. g. Village Pottery, NEO Soap, Village Oil, Village Leather etc.). We have not been able to ascertain the actual benefit derived by the KVI sector from the decision of 1985. Perhaps it is too early for the Circular to have a significant impact. We commend the principle underlying the transport subsidy. We suggest whether this principle may be adopted in other situations where village industries are to be developed in other remote and inaccessible areas (especially tribal areas) to which some crucial raw materials have to be carried over long distances. We recommend that transport subsidy scheme may also be extended to these areas.

14.12 As regards rebate on sale of khadi, it may be recalled that this was originally fixed at 20 per cent for all varieties with a view to subsidising the overheads fully. Great care has always been taken by KVIC through the cost charts to ensure that different costs are kept within the reasonable limits at all points and the overhead expenses are also limited to 20 per cent. KVIC on its own decided to reduce sales rebate or do away with the rebate on certain varieties of silk and woollen khadi with effect from 1-4-1962. Thus the normal sales rebate at 10 paise per rupee on woollen apparel goods and readymade garments (excluding Pashmina and Pashmina mixed with cotton or silk made of them and 20 per cent on bulk supplies of woollen khadi goods, including Kambals and Kamblis) and at 10 paise per rupee on spun silk khadi and spun mixed with reeled silk continues. KVIC switched over to weaving subsidy with effect from 1-4-1964 when sales rebate was replaced by weaving and processing subsidy. However, with the restoration of sales rebate system with effect from 1-4-1974, the sales rebate on cotton khadi was restricted to 10 per cent only. In the context of increasing the spinning wage, KVIC approached the Government to enhance this 10 per cent rebate on cotton khadi and the Government agreed to enhance to 15 per cent with effect from 1-10-1985. In addition, a special rebate of 10 per cent is sanctioned for a period of 90 days mainly during Gandhi Jayanti period and other festival periods during the year. Some State Governments announce additional special rebate during the special rebate period mainly with a view to facilitating disposal of accumulated stocks. Thus actual rebate for certain period in some States is as high as 40 per cent. There is no doubt that the rebate system has played an important role in marketing of khadi products. Considering that the production of khadi goes on throughout the year and the sales are concentrated during three or four months from October, thereby leading to heavy carrying costs, it is difficult to envisage promotion of khadi without the aid of rebate. A similar device has been employed by the handloom sector also. We recommend its continuance. We would further suggest that rebate be adjusted to meet the needs of the situation from time to time. At present, 90 days period is divided into different spells. We recommend that the period should be enhanced to 120 days and the institutions should have freedom of splitting the same atleast three times in a year to meet the situation. The choice for splitting should be left to the local institutions who may decide it in consultation with the State Director of the KVIC. Similarly, we would also appeal to the State Governments to remove the present uncertainties about their rebate and to announce their decision well before the season. We also received some complaints in

reimbursement of rebate claims from State Governments which should be cleared expeditiously. They will be well advised to adopt a long term policy so that the marketing operations can be carried out smoothly. We were also told that for the special rebate, KVIC is required to approach the Central Government every year with fresh justification for sanction of special rebate. We feel that there is no need for this annual ritual and we recommend that there should be a standing arrangement in regard to sanction of special rebate. This would enable the institutions to take advantage of special rebate in the period April to September and effect higher sales in the marriage season in April - May and other festivals in this period.

14.13 As regards preferential treatment in regard to raw materials and infrastructural support, a great deal remains to be done, first to distinguish the claims of village industries from those in the small scale industries sector who for various reasons have succeeded in monopolising the benefits. The practice in several States is that unless the unit is registered with the Directorate of Industries, it is not entitled to concessional supply of power, facility for work-sheds and other infrastructural support, supply of raw materials at concessional terms etc. We recommend that the State Khadi and Village Industries Board may be declared as the registering authority for all these purposes in the case of village industries sector. The Ministry of Industry at the Centre should be able to sort out this problem in the same manner as in the case of transport subsidy.

14.14 As regards purchase preference for khadi, the Government of India took positive steps in the fifties and sixties. The Central Government decided in 1955 that khadi cloth required by Government should be purchased from the All India Khadi and Village Industries Board at prices quoted by the Board without following the usual tender procedure, and insisting on the security deposit or liquidated damages for delayed deliveries. The Home Ministry issued a Circular in 1958 that Cotton khadi cloth should be used for all Government liveries of Class IV employees. Besides, the KVIC was called upon to supply woollen cloth for liveries and barrack blankets. The preferential system was first breached in August, 1971 when P & T Department stopped purchasing khadi. Thereafter the quantum of cotton khadi purchased by Government began to decline year after year due to increasing resistance of users and giving preference to blended fabrics manufactured by National Textile Corporation Mills. The Home Ministry changed its earlier policy in regard to liveries to Class IV personnel. Woollen serge made by NTC came to be preferred over woollen khadi. The Defence Ministry also changed its attitude to barrack blankets. The khadi items that continue to figure in the DGS & D list are furnished at Annexure-I.

14.15 Recently, KVIC has been able to secure sizeable orders for toilet soap made in the KVI sector from the Defence Ministry. These orders have been won on the basis of tenders and not strictly in accordance with purchase preference. Fears have, however, been expressed by the producing units about the rigours of inspection and the likely mischief that competitive interests of other sectors may create on one ground or another. There is need for vigilance

on the part of KVIC and empathy on the part of the DGS & D and the authorities of the Defence Ministry. This is where the support policy by way of purchase preference becomes very important. KVIC will do well to press this view point in every forum and to pursue the possibility of getting a reasonable share of all Government purchases of articles that can be generated in KVI Sector.

14.16 As regards purchase preference by State Governments we have noticed that Tamil Nadu, Gujarat and West Bengal have taken positive steps. In particular we would cite Tamil Nadu G. O. No. 1302 dated 18-9-1981 according to which the products of the units recognised by the Tamil Nadu Khadi and Village Industries Board can be purchased for their requirements by the State Government Offices without going through the tender procedures. Another Circular that has come to our notice during our tour in Tamil Nadu is the G. O. No. 923 dated 29-8-1978 which has been hailed by many khadi and village industries units as the main cause for the timely disposal of their goods. We wish the Tamil Nadu State Government were generous enough to include in the preferential lot the khadi and village industries units directly aided by KVIC also. We would urge the Tamil Nadu Government to remove the present distinction and make the facility available for the entire khadi and village industries sector. Gujarat Government has accorded purchase preference for khadi and village industries produces manufactured in Gujarat. The entire livery cloth required for Class IV employees of the State Government offices are to be met from Poly Vastra Units in Gujarat. We would urge the Ministry of Industry to impress upon the other State Governments to adopt similar purchase preference policies and thereby quicken the tempo of development of the sector. In the course of our discussion with DGS & D, we came to know that an attempt was recently made to declare purchase preference in respect of some handloom products for meeting the Government's requirements of cloth, without even consulting KVIC. This sounded strange as the Development Commissioner, Small Scale Industries in the Ministry of Industry who had nothing to do with the KVIC or the cloth products conveyed the Ministry's views. This is very unsatisfactory, considering that at one time khadi was specifically recognised as a product of an important socio-economic programme and deserved special treatment. While Government cannot be expected to ignore the change in the consumer tastes and employees attitudes, it can reasonably be expected to consult KVIC when specifications are changed as in the case of barrack blankets or new articles introduced as in the case of blended fabrics and to give time to adjust its production process if possible. It is also necessary that as far as possible preference is accorded in respect of other articles by way of compensation.

14.17 In addition to purchase preference, there is also need to accord price preference to KVI products. Since KVI are treated as part of small industries sector, KVI products are entitled for price preference of 15 per cent wherever admissible to the products of small industries. We have already emphasised the need for adopting a differential approach to the KVI sector vis-a-vis small industries sector. This should be done by giving a special treatment

under which such of KVI products which are entitled for 15 per cent price preference on par with small scale industries should be provided additional 5 per cent i.e. 20 per cent in all and that such of the products where price preference is not admissible a 5 per cent price preference for KVI products may be granted. This distinction is necessary because of the difference in levels of technology, entrepreneurship, scales of operation and access to other infrastructural facilities.

14.18 Now, coming to the support policies of the protective kind, we may consider the common production programme and reservations together. The main ideas underlying the common production programme is that in the case of certain consumer products or groups of products, the total demand can be conveniently divided between the organised sector and the decentralised sector, so that the two together contribute all the needed supply. Reservations are made to firmly demarcate the spheres of activities of the decentralised sector and to protect it from trespass and competition by the organised sector. As a corollary, the decentralised sector which is labour intensive and operates at lower levels of technology and with higher costs of production will have to be subsidised through a levy on the organised sector. These ideas were advanced as part of the Second Five Year Plan and attempts were made to reserve some items for handlooms and indicated broadly the quantities and varieties that could be produced by the textile mills. At one stage a cess was also levied on the products of the organised sector. In regard to soap, particularly of the laundry variety, an attempt was made to restrict the licenced capacity of the units in the organised sector. However, at no stage was any reservation made in respect of khadi and village industries as such. As already indicated they were lumped together with the small scale industries of the modern kind in the so called village and small scale industries sector. It would be correct to say that the above ideas were not pursued to their logical conclusions and even the new gestures referred to above were not implemented vigorously. It was stated that in a society where there is pent-up demand for consumer articles it is not possible to postpone supply till the decentralised sector in general and the village industries in particular acquired the necessary capacity to meet the demand. It was also argued that the decentralised sector suffered from several weaknesses, and was in no position to implement the common production programme. The scheme of cross subsidisation through cess on the organised sector was described as not feasible in view of the size of the difference between the costs of the two sectors.

14.19 The question for consideration is whether there is a case for reservation in favour of the artisans and the KVI sector as distinguished from the modern small scale industries sector. The committee on Controls and Subsidies under the Chairmanship of late Shri Vadilal Dagli which submitted its Report in May, 1979 has recommended as follows :

“H. DECENTRALISED SECTOR :

- (a) Although there is a very large list of industries numbering 807 reserved for

“small scale industries” (which are “modern small scale industries” quite different from village industries), there is a need for a separate list of reserved items for the decentralised sector especially for artisans and cottage industry type workers.

- (b) To begin with, there is a case for reserving the following types of production activities for the decentralised sector :
- (i) All dhoties and sarees with border (of any kind or width);
 - (ii) All carpet weaving, shawls and woollen blankets;
 - (iii) Certain types of leather, and PVC products (including the stitching of shoes from uppers and sole leather). This policy has to be integrated with the upgrading of tanning techniques, setting up of common facility centre, training and in fact, some sort of production cooperation between the organised and decentralised sectors;
 - (iv) Soap, on the basis of supply of fatty acids from the organised sector;
 - (v) Matches on the basis of supply of potassium chlorate from the organised sector.
- (c) For adequate supply of raw materials for the decentralised sector, the Government should ensure that :
- (i) A part of the supply of raw materials is available for the decentralised sector compulsorily if necessary;
 - (ii) the cost of these raw materials to the decentralised sector is no higher than to the mill sector through a subsidy, if necessary;
 - (iii) the quality of raw materials supplied to the decentralised sector is not inferior to the quality of raw materials available to the organised sector through the imposition of quality control, laying down of specifications and standards etc.
- (d) State or district or local level institutions of repute should stand guarantee for the production and marketing of the products of the decentralised sector so that banking funds can flow without any difficulty for the development of this sector.
- (e) There should also be a separate list for government and public sector purchases exclusively from cottage and village industries;

- (f) Assistance given under various schemes of integrated rural development (like the MFA Scheme) should be extended to all types of production in the decentralised sector, and not merely for two of the 23 industries falling under the purview of the KVIC.
- (g) In order to protect employment, effort should be made to integrate private retail distribution into the scheme for public distribution of essential commodities to be introduced; and suitable restraints should be introduced in order to ensure the use of labour intensive methods in construction activity."

14.20 Unfortunately, no action seems to have been taken on the recommendations of the Dagli Committee report. It appointed another Committee under the Chairmanship of Shri M. Narasimham, the then Secretary, Economic Affairs to review the policy of controls. This Committee recommended that as far as possible, physical controls should be replaced by fiscal measures, if for reasons of economic policy some areas have to be encouraged or discouraged. Although this proposition has been generally accepted by Government as part of its policy of liberalisation, it seems to have decided to keep under constant review the existing reservations in favour of decentralised sector. For example, the list of industries reserved for the small scale sector has been pruned. In the case of handlooms, 22 items have been kept reserved as an integral element of the New Textile Policy of 1985. It remains to be seen how well these reservations will be enforced in practice. The case for a special protection to KVI sector has to be considered against this background.

14.21 It will be correct to say that there is widespread scepticism about the feasibility of common production programmes and the related reservations in favour of the khadi and village industries sector. In these circumstances, we are inclined to think that KVIC as the national spokesman of the sector should not be content with reiterating in general terms the need for such a policy. It should on the other hand, undertake an indepth study of the implications of such a policy in respect of specific products and draw up a detailed action plan to ensure that the KVI sector will be able to fulfil its share of the supply. It may choose those products in respect of which there is a reasonably efficient technology involving costs of production not unduly high compared to the alternative products of small scale sector or the organised sector. The usual practice of advocating the above said policies merely on ideological grounds without adequate support by way of facts and figures and the feasible volume of production, costs and other details will not carry conviction. A beginning may be made with certain varieties of cloth already reserved for the handloom sector. We would urge the KVIC to undertake this exercise in respect of certain varieties of khadi cloth made with specified counts of yarn soap made with non-edible oils and certain products of processing of cereals and pulses.

14.22 Concessional excise duties or total exemption from excise represent an important method of protecting KVI products from competition of the products of other sectors.

Table 1 shows the tax concessions and exemptions that are available at present. The main point we would urge in this context is that the Government must find a way to treat the products of village industries as defined by us in Chapter 3 as a separate group (separate from the small scale industries) and provide them with some competitive advantage through total exemption. If for administrative reasons, excise is unavoidable a nominal rate should be prescribed. Further, the assessment for tax should be unit-wise separately and not for the institution as a whole.

14.23 As regards State Government Taxes, we have noticed that there is no uniformity among the States in regard to application of sales tax law to the KVI Sector. Table 2 gives the State-wise position as on 31-3-1986. We found that in West Bengal the procedure prescribed for claiming the exemption for silk khadi is causing difficulties. There, the KVI units are required to deposit sales tax in the first instance and claim refund, at a later date. The time lag between the deposit and the refund is some times long and has the effect of eroding the working capital. It is indeed strange that the KVI institution is required to deposit even when it is not required to collect the tax amount from its customers. It is suggested that the procedure should be streamlined in such a manner that the institutions will not be put to financial difficulties or harassment at the hands of the lower staff of the sales tax department. We suggest that the Ministry of Industry may take up this matter of exemption from sales tax with the State Governments concerned with a view to bringing about a uniform and streamlined policy and procedures.

14.24 Our attention has been drawn to the difficulties experienced by several khadi and village industries units as a result of the unimaginative application of different labour laws in some parts of the country. Some of the units have set up worksheds where a large number of spinners congregate and work on their new model charkhas. This has been done for ensuring standards of quality in the production and for controlling the continuity of the operations. In Bijapur District where a special development programme is in operation, we have seen worksheds with as many as 600 charkhas operating at one time. These look like mini-factories and have begun to attract the notice of the labour department which has the responsibility of ensuring compliance with all labour laws. There are other instances where power has come to be used and more than 9 workers are engaged in the operations. In some other instances artisans have been encouraged by the trade union leaders to claim some of the privileges under labour laws. This matter was discussed by the All India Khadi and Village Industries Board at its meeting held in 1973-74. The Board advised that the Chairman, KVIC may constitute a Committee to study carefully all the issues pertaining to the applicability of labour laws to khadi and village industries. Accordingly a Committee was formed in July, 1975 with Shri D. G. Kale, a retired Labour Commissioner, Maharashtra as Chairman. The Committee submitted its report in September 1976. It recommended as follows :

“After examining the pros and cons of the issue, the Committee has come to the

conclusion that the existing labour laws as they are today, should not be made applicable to the khadi and village industries field. We also set out at some length special features of the khadi and village industries which are perhaps not observable with the activities of other agencies. The present set of labour laws have been evolved mainly having regard to the needs of organised labour and organised industry. A blind application of the same to the decentralised activities having different objectives can create anomalies. We are, therefore, in favour of having a separate labour code for khadi and village industries". The Committee added that "in case it is found that the creation of a separate labour code cannot be immediately done, the Committee recommends the following amendments/modifications in the existing labour laws". It went on to specify the changes to be made in the Employees Provident Fund Act, 1952, Employees State Insurance Act, 1948, Factories Act, 1948, Industrial Disputes Act, 1947, Minimum Wages Act., 1948, Payment of Bonus Act, 1965 and Trade Union Act, 1926.

14.25 The Kale Committee Report was forwarded by KVIC to the Ministry of Industry and the Ministry of Labour at the Centre. But unfortunately no final view has so far been taken on the recommendations of the Committee. The Chairman of our Committee took up this matter personally with the Secretary of the Labour Ministry and the Minister of State in the Ministry of Industry in July, 1986. As a result of his intervention, the Ministry of Labour has since constituted a Study Group under the Chairmanship of Shri Karnail Singh, Joint Secretary, Ministry of Labour. Shri D. G. Kale has been included in the Group to represent the point of view of the KVIC. We hope that this Group will submit its report soon and that the two Ministries will take appropriate action. We are inclined to think that considering the peculiarities of the KVI institutions on the one hand and the need, on the other to protect the artisans/workers against any exploitation and to assure them reasonable conditions of employment, it would be necessary to make some special provisions in the KVIC Act itself. It may not be a feasible proposition to promote a separate law to lay down and implement a special labour code. It may be recalled that an earlier attempt to enact a special law to cover KVI, hospitals and institutions did not meet with success. In the meantime, wherever possible exemption may be granted. We attach great importance to the subject. Ministry of Industry should take up the matter with the Ministry of Labour that the Working Group should complete its work quickly. We also recommend that the Government should take vigorous action in implementing the recommendations those would be made by the Working Group.

14.26 We believe that in addition to support policies discussed in the preceding paragraphs, it is necessary to remember that the decentralised sector, particularly khadi and village industries, are often adversely affected by decisions taken by Government on various fields under the general drive for modernisation. For example, several traditional bakery units have been displaced as a result of establishment of modern bakeries. Silk waste spinning

mills have affected the charkhas in parts of Bihar. Small tanners have suffered with the establishment of large scale tanning units. The case of traditional hand pounding industry which has disappeared in many areas as a result of introduction of rice hullers, and modern mills is well known. The point we are trying to make is not that all moves towards modernisation should be stopped, but that impact of every move towards modernisation should be carefully assessed and wherever possible, steps should be taken to rehabilitate the workers hitherto engaged in the traditional industries likely to be affected through retraining and promotion of alternative modes of employment. In other words, moves towards modernisation may be consciously made after taking into account the impact on employment and initiating remedial measures for protecting the unfortunate artisans who are likely to be displaced.

14.27 We conclude this report by reiterating the point made by us in para 2.26 about the role of KVIC in educating the general public, the policy makers, legislators and other opinion leaders about the importance of a package of supporting policies, if khadi and village industries are to grow and prosper. Even now, KVIC runs a People's Education Programme and organises seminars in Universities. These exercises can be made more meaningful if themes are carefully selected and empirical studies are promoted in support of the policy aspects that are sought to be protected.

M. RAMAKRISHNAYYA

Chairman

A. M. THOMAS
Member

HARBHAJAN SINGH
Member

R. N. KAPOOR
Member

G. VENKATARAMANAN
Member

PROF. KAMTA PRASAD
Member

V. PADMANABHAN
Member

K. C. SODHIA
Member

I. S. RAO
Member

K. V. S. MURTHI
Member

Y. A. PANDITRAO
Member Secretary

New Delhi
19th February 1987

TABLE 1 (Para 14.22)

Position Regarding Central Excise on Products under the Purview of KVIC

- I. Khadi** : Khadi (Cotton including muslin, wool and silk) enjoys total exemption from central excise for manufacture of fabric and processing. However, in the case of raw wool which is converted as wool tops there is a basic duty of Rs. 8.30 per kg. and additional duty of Rs. 1.13 per kg.
- (Note : In addition, there is an import duty of 20 per cent ad valorem on imported greasy wool).
- II. Village Industries** : (i) Exemption was granted for some Village Industries products for six months only up to 30-8-1986 and there after they had to pay excise duty if the annual turnover exceeded Rs. 15 lakhs.
- (ii) The Government has clarified that each unit of KVIC will be treated as a separate entity and each such unit will be separately eligible for relief. In so far as, 'Poly Vastra' is concerned it is exempted from excise for fabric and processing, provided it is processed in processing houses approved by KVIC. However, excise is payable on purchase of Polyester fibre. This has given a competitive edge to NTC and Handloom which are provided exemption even for fibre for certain varieties.
- KVIC has sought** : (i) total exemption from excise duty on raw wool, wool tops and import duty on greasy wool imported by KVIC.
- (ii) total exemption from excise on Polyester Fibre used in manufacture of Poly Vastra.
- (iii) the limit of Rs. 15 lakhs may not be applicable to all Village Industries falling under the purview of KVIC.

TABLE 2 (Para 14.23)

Position Regarding Sales Tax in Different States

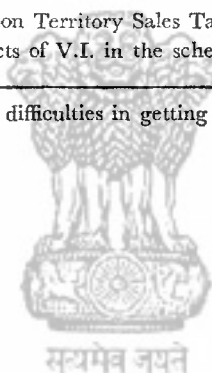
(As on 31-3-1986)

State	Position
1. Andhra Pradesh	KVI products enjoy exemption from sales tax.
2. Assam	Sales tax on khadi and products of village industries as defined in the KVIC Act, 1956 are exempted under Section 7 of Assam Sales Tax, 1947 when sold by a producer and/or organisation certified by KVIC or Assam State KVI Board. However, Sales Tax is levied on bio-gas holders and appliances manufactured by approved KVIC fabricators.
3. Bihar	Except lime products — all KVI products enjoy exemption from sales tax.

State	Position
4. Gujarat	Under the State Sales Tax Act, 1969 all the Khadi and Gramodyog products are exempted from sales tax.
5. Himachal Pradesh	All KVI products produced by Himachal Pradesh State KVI Board and Khadi institutions are exempted from sales tax. If the product is procured by outside agency, sales tax is charged (3 per cent to 10 per cent).
6. Haryana	KVI products are exempted from sales tax.
7. Jammu and Kashmir	KVI products are exempted from State sales tax.
8. Kerala	Khadi and V. I. products of all recognised institutions of KVIC and State KVI Board are exempted.
9. Karnataka	By and large, KVI products produced by co-operatives/institutions financed by KVIC/KVIB are exempted. According to the amendment notification dated 19-4-1984 to Karnataka Sales Tax Act, 1957, the products of industries when sold by bonafide producer recognised by the Commission, if any, necessary after consultation with KVIC, are exempted under the Sales Tax Act. However, the exemptions are subject to the following conditions: (a) in respect of units set up before 17-2-1984; (b) total investment in plant and machinery should not exceed Rs. 1 lakh; (c) annual turnover of sales should not exceed Rs. 10 lakhs; (d) in respect of units set up after 17-2-1984. Apart from the two conditions mentioned above, the units should be set up in villages or towns, not having a population of more than 1 lakh.
10. Madhya Pradesh	Except products under lime industry, manufacture of household aluminium utensils, katha, processing of maize and ragi and rubber goods (dipped latex), all other products of KVI are exempted under General Sales Tax Act, 1958.
11. Maharashtra	According to Bombay Sales Tax Act, 1959, all KVI products are exempted from sales tax.
12. Punjab	KVI products enjoy exemption from State sales tax.
13. Rajasthan	Though KVI products enjoyed sales tax exemption in Rajasthan, according to notification No. F-4(21)FD(GRN)78-2 dated 6-3-1978, the same have been withdrawn under Notification No. F/4/(56)/FD/GR-IV/82-6 dated 16-8-1983 in respect of (i) Lime Industry, (ii) iron and steel furniture under Blacksmithy, (iii) wooden furniture under Carpentry, (iv) Brick unit under Pottery, and (v) Masala udyog under PCPI.
14. Uttar Pradesh	KVI products enjoy exemption from sales tax.
15. Tamil Nadu	All KVI products except cottage match which is charged @ 2 per cent are exempted from Sales Tax Act, 1959.

States	Position
16. West Bengal	Under Khadi, cotton and woollen are exempted. In respect of silk khadi, sales tax is levied at 8 per cent which is reimbursed to institutions by State Government. Except cottage match and agarbatti, porcelain products under pottery, footwear and other leather products, ghani oil, paper pulp articles under handmade paper, palmgur, chocolate under palmgur industry, lime and other stoneware, shell products under lime industry, pickles under FPP Industry, wooden and bamboo and cane materials, fibre products and household aluminium utensils — all other products of village industries are exempted.
17. Union Territory of Delhi	The following products have to pay sales tax : honey, agarbatti, pottery, washing soap, footwear, leather goods, including leather garments, ghani oil of packed and sealed, handmade paper and other products like pads, greeting cards etc., palm fibre, masalas, paper, bio-gas, chulha, lime products (handicrafts), shellac, (handicrafts), fruits and vegetable processing (sealed) and fibre products.
18. Union Territory of Goa, Daman and Diu	Under Union Territory Sales Tax Act, 1964, sales tax is exempted on khadi and products of V.I. in the schedule of village industries of KVIG Act.

Note : Individual units are experiencing difficulties in getting sales tax exemption.



ANNEXE I (Para 14.14)

**List of Detailing the Khadi Materials that Comprise the
DGS & D's Demand**

DESCRIPTION OF STORES

1. Dosuti thick khadi (vat) blue to speen No. IS : 3770-1966.
2. Dosuti thick khadi bleached to speen No. IS : 3770-1966.
3. Dosuti dyed mineral khaki to speen No. IS : 3770-1966.
4. Clothred dosuti thick khadi 71 cms. wide to speen No. IS : 3770-1966.
5. Cloth khadi dungry blue 91 cms. wide to speen No. IS : 3778-1966.
6. Cloth khadi dungry white 68.5 cms. bleached to speen No. IS : 3778-1966.
7. Long cloth khadi bleached to speen No. IS : 3771-1966.
8. Pugree cloth to speen No. IS : 3769-1966.
9. Cloth bunting cotton khadi red 91.4 cms. to speen No. IS : 4106-1967.
10. Cloth khadi dosuti blue 69/71 cms. wide to ISS : 187 latest variety No. 1.
11. Cloth khadi sheeting (handspun) white bleached 91-44 cms. wide to speen No. 3779-1966.
12. Cloth khadi sheeting blue 150/152 cms. wide to speen No. IS : 3779-1966.
13. Sheeting cloth cotton khadi navy blue dyed (vat) 104 cms wide to speen. No. IS : 3779-1966. Shade to DDG (I) sample No. 13704/Tex/DDI No. SS/299 (Tex) cloth should be sanforised.
14. Sheeting cloth khadi light Royal Blue (vat) or cms. wide to speen. No. IS : 3779-1966 shade to DDS(Tex) Bombay, Sample No. 32544 DDI (No. SS/299 (Tex) Cloth should be sanforised.
15. Sheeting cloth cotton khadi green (vat) 104 cms. wide to speen No. IS : 3779/1966 shade to DDG(I)'s sample No. 13708/Tex (DDI) No. SS/301/(Tex) cloth should be sanforised.
16. Pugree cloth khadi khaki as per usual width.
17. Dosuti dyed M. K. Thin 70/71 cms. wide.
18. Dusters cotton ordinary of khadi (handspun) hemmed size 60 cms. x 60 cms. with "IR" totem to IRS, Drg, No. CSCW-707 embroidered or marked with indelible ink in each corner to speen No. IS : 3777-1966.

19. Dusters khadi 68 cms. x 68 cms. to speen. IS No. 3777-1966.
20. Bed sheets khadi with "IR" monogram market in indelible ink in a corner 228 x 137 cms. to speen. IS : 3779-1966.
21. Bed sheets khadi with "IR" Monogram marked in indelible ink in a corner 239 x 137 cms. with both ends hemmed 19 MM to speen No. IS : 3779-1966.
22. Towels bath khadi with "IR" Monogram stamped in indelible ink in a corner 152 x 81 cms. Honeycomb to speen No. IS : 3775-1966.
23. Towels bath khadi with "IR" Monogram stamped in indelible ink in a corner 152.4 x 81.4 cms. to speen No. IS : 3775-1966.



APPENDIX I

Respondent for the Questionnaire issued by the Khadi and V. I. Review Committee (KAVIRC)

INDIVIDUALS

1. Shri Y. G. Sharma, Ex-Dy. C.E.O. (Khadi), KVIC.
2. Shri Ratibhai Gondhia – Rajkot.
3. Dr. Ram Jee Singh, Bhagalpur University.
4. Shri R. Ramamurthy, CROSS, Hyderabad.
5. Shri K. S. Shetty, General Manager, Vijaya Bank.
6. Shri Gajanan Naik.
7. Shri S. K. Bandopadhyaya, Secretary, Gandhi Smarak Nidhi.
8. Shri L. K. Jha, New Delhi.
9. Shri J. Kameshwara Rao, Kakinada.
10. Shri Suresh Anand, Ratlam.
11. Shri K. M. Udupa, Divisional Manager, Syndicate Bank.
12. Shri Dhawaja Prasad Sahu, Khadi Mission, Muzaffarpur.
13. Shri Jashbhai Patel.
14. Mrs. Tara R. Sathe, Pune.
15. Shri Vichitra Narayan Sharma, Shri Gandhi Ashram, Lucknow.
16. Shri N. T. Dabade, Editor, Khadi Jagruthy, Bengeri, Hubli.
17. Shri Rajgurunathan, Salem.
18. Shri Dhirubhai M. Desai, Ahmedabad.
19. Shri T. K. Chandiram, Kasturba Khadi Trust, Madurai.
20. Shri Vimal Shah, Gujarat Institute of Area Planning, Ahmedabad.
21. Shri B. K. Sharma, Gaziabad, U.P.
22. Shri G. B. Deodikar, Maharashtra Association for the Cultivation of Science, Pune.
23. Shri Damodar Pangrekar, Nanded.
24. Shri Jagpat Dube, Ex-Member Secretary, KVIC.
25. Shri R. A. Sugavanam, Principal, CAB, RBI, Pune.
26. Shri T. B. Naik, Director, Tribal Research and Training Centre, Ahmedabad.
27. Shri Mohan Dharia, Pune.
28. Shri A. R. Patel, Manager, Bank of Baroda.
29. Shri R. N. Upadhyaya, President, Sarva Seva Sangh, Varanasi.
30. Shri K. Janardhanan Pillai, Chairman, Kerala Gandhi Smarak Nidhi.
31. Shri Joginder Nath Joshi, Jalandhar.
32. Shri K. D. Mehta, Rajkot.
33. Shri S. Narsimhaia, Bangalore.
34. Shri K. Arunachalam, Gandhi Smarak Nidhi, New Delhi.

35. Shri A. V. Bakarc, Manager, NABARD.
36. Shri D. V. Lele, Maganwadi, Wardha.
37. Shri P. V. Raghvan, Ex-Dy. C.E.O., KVIC.
38. Shri R. N. Mishra, Lucknow (U.P.).
39. Shri V. D. Venugopal, Vellore.
40. Shri Sharad Marathe, Pune.
41. Shri A. Kumar.
42. Shri P. K. Rath, Puri, Orissa.
43. Shri M. M. Luther.
44. Shri R. Yeshwant Herwatta.

Implementing Agencies (Regd. Institutions, Cooperatives and other Agencies)

1. Khadi Ashram, Panipat.
2. Madhubani Jilla Khadi Gramodyog Sangh.
3. Artisan Chak Dairapara (W.B.).
4. Kshetriya Shri Gandhi Ashram, Haldwani.
5. Khadi Gram Udyog Mandal, Patti (Amritsar).
6. Kshetriya Khadi Gramodyog Sangh, Saraiya, Bihar.
7. Gramodyog Sangh, Bhadrawati (Maharashtra).
8. Kisan Krishi Yantra Udyog, Kanpur.
9. Metpalli Khadi Gramodyog Pratisthan, Metpalli (A.P.).
10. Gram Swarajya Sangham, Kurnool (A.P.).
11. Khadi Sanstha Sangh, Silaut (Bihar).
12. Khadi Gramodyog Samiti, Kuchaman City.
13. Nagpal Gram Udyog Mandal, Karnal.
14. The India Fruit Preserve Institute, Karnal.
15. Bajrang Gram Udyog Mandal, Karnal.
16. Kerala Khadi and V.I. Association, Thiruvambadi.
17. Uttukuli Sarvodaya Sangh.
18. Pune Jilla Khadi Gramodyog Sahakari Sangh Ltd.
19. Rajasthan Khadi Gramodyog Sangh, Jaipur.
20. Kshetriya Shri Gandhi Ashram (Kambal Vibhag) Muzaffarnagar.
21. Kshetriya Shri Gandhi Ashram, Saharanpur.
22. Saurashtra Rachanatmak Samiti, Rajkot.
23. Khadi Gramodyog Sangh, Raichur.
24. Kshetriya Shri Gandhi Ashram, Jabalpur (M.P.).
25. Gram Parishramala Sangham, Dharmavaram (A.P.).
26. Avarampalayam Sarvodaya Sangh, Coimbatore.
27. North Arcot Sarvodaya Sangh.
28. Padiyur Sarvodaya Sangh, Padiyur.

29. Coimbatore North Sarvodaya Sangh.
30. Ramnathpuram Dist. Sarvodaya Sangh.
31. Vellakuli Sarvodaya Sangh.
32. Coimbatore South Sarvodaya Sangh.
33. Gandhi Ashram, Tiruchengodu.
34. Ambasamudram Sarvodaya Sangh.
35. Marathwada Khadi Gramodyog Sansthan, Nanded.
36. Gramodyog Non-edible Oils and Soap Utpadak Sahakari Samiti Ltd., Sumerpur.
37. Beekeepers Industrial Co-operative Society Ltd., TRAL (Kashmir).
38. Sane Guruji Gramvikas Pratisthan, Kalyan.
39. Radhakrishna Jew K. H. Samiti, Mayurbhanj (Orissa).
40. Sarepaata Oil men Industrial Co-op. Society Ltd., Orissa.
41. Utkal Bakshram, Berhampur (Orissa).
42. Bhagebati Mahila Seva Samiti, Puri.
43. Karnataka K.G. Samyukta Sangh (Federation), Bengeri, Hubli (23) (Karnataka).
44. Districts Industries Centre, Udaipur (Rajasthan).
45. Remunda Tassar Spinning and Weaving Industrial Cooperative Society Ltd.
46. Sarvodaya Ashram Madhi (Gujarat).
47. Khadi Commission Karmachari Union, Maganwadi, Wardha.
48. Phulbani Leather Industrial Development Cooperative Society Ltd., (Orissa).
49. Union Bank of India.
50. Jaydurga Khadi Gramodyog Industrial Cooperative Society, Orissa.
51. Rajasthan Rajya Khadi Gramodyog Workers Federation INTUC, Jaipur.
52. Khadi and V.I. Society, Nutanbazar Dist. Cachar (Assam).
53. Vivek Engineers — Vellore (Tamil Nadu).
54. Shri Saurashtra Gandhiji Gramodyog Trust, Bhavnagar.
55. Bam-bam Kutir Udyog, Village Khaspur, P.O. Sadisapur Dist. Patna (Bihar).

Industry and Programme Directors, State Directors of KVIC and other Departments of KVIC

1. Director, Training, KVIC.
2. Director, State Office, KVIC, Panji, Goa.
3. Director, Palmgur, KVIC.
4. Director, Central Bee Research Institute, Pune.
5. Director, Leather and Carpentry and Blacksmithy.
6. Principal, Zonal Training Centre, Bangalore.
7. Director, Woollen Khadi.
8. Director, PCPI.
9. Incharge, Technical Extension Service Centre, Lime Industry, Mohol, Maharashtra.
10. In-charge Seed Dryer Project NEO and Soap, Vaikkom, (Kerala).

11. Director, Lime Manufacturing.
12. In-charge Cottage Match Training Centre, Mullurkkara, Trichur.
13. Director, State Office, Srinagar.
14. Principal, Zonal Training Centre, Nadathara.
15. Director, Village Oil Industry.
16. Director, Gur and Khandsari.
17. Director, Pottery Industry.
18. Director, Publicity.
19. Asstt. Director, Regional Office, KVIC, Bikaner (Rajasthan).
20. Principal, Central Training Institute of Management, KVIC, Thycaud, Trivandrum.
21. Director, Khadi Co-ordination.
22. Asstt. Director, Regional Office, Bikaner.
23. Shri R. C. Pant, Dy. Director, Lucknow.
24. Shri V. P. Arya, Asstt. Director, Regional Office, Bikaner.
25. Director, Science and Technology.
26. Director, KVIC, Bangalore (Karnataka).

State Khadi and Village Industries Boards

1. Bihar State Khadi and Village Industries Board.
2. M. P. State Khadi and Village Industries Board.
3. Punjab Khadi and Village Industries Board.
4. Goa, Daman and Diu Khadi and Village Industries Board.
5. Nagaland State Khadi and Village Industries Board.
6. Haryana State Khadi and Village Industries Board.
7. Meghalaya State Khadi and Village Industries Board.
8. Maharashtra State Khadi and Village Industries Board.
9. U. P. State Khadi and Village Industries Board.
10. Assam State Khadi and Village Industries Board.
11. Pondicherry Khadi and Village Industries Board.
12. Karnataka State Khadi and Village Industries Board.
13. Jammu and Kashmir State Khadi and Village Industries Board.

State Governments and Union Territories

1. Director of Industries, Government of Haryana.
2. North Eastern Council, Shillong.
3. Industries (C) Department, Government of Kerala.
4. Government of Assam, Handloom Textile and Sericulture Department, Dispur, Guwahati.

APPENDIX II

Name of the Places Visited by Khadi & V. I. Review Committee & Chairman, KAVIRC & Eminent Persons with whom Discussions Held

Date	State	Places Visited/Persons with whom the Discussions Held
1	2	3
13-5-1985 to 18-5-1985	Karnataka	1. Shri B. D. Jatti 2. Shri V. T. Magadi 3. Karnataka Khadi Gramodyog Samiti, Bangalore. 4. Karnataka Khadi & V. I. Board, Bangalore. 5. Karnataka Sarvodaya Sangh, Bangalore.
28-6-1985 to 2-7-1985	West Bengal	1. The Chief Minister of West Bengal, West Bengal KVI Board. 2. Mrs. Nawaz, Member All India KVI Board. 3. State Minister, In-charge of KVI. 4. Representatives of 18 institutions of West Bengal. 5. Abhoy Ashram, Birati. 6. Nabadwip Kutir Silpa Pratisthan.
17-7-1985	Uttar Pradesh	1. Shri N. D. Tiwari, Former Chief Minister of Uttar Pradesh. 2. U. P. State Govt. officials, U. P. State KVI Board. 3. Shri Vichitra Narayan Sharma. 4. Shri A. K. Karan. 5. Shri R. N. Mishra. 6. Handmade Paper Units, Kalpi. 7. Weavers Village, Ahmedpur near Patranga. 8. Khadi Gramodyog Village, Patranga. 9. Shri Gandhi Ashram, Barabanki.
21-8-1985 to 22-8-1985	Assam	1. Officials of Assam State KVI Board. 2. Shri Hiteswar Saikia, Chief Minister of Assam. 3. Representatives of KVI institutions in Assam.
23-8-1985	Meghalaya	1. The Industry Minister, Govt. of Meghalaya. 2. Meghalaya State Govt. Officers. 3. Meghalaya State KVI Board.

1	2	3
30-10-1985	Rajasthan	1. Rajasthan State Govt. Officials. 2. Rajasthan State KVI Board. 3. Implementing agencies of Rajasthan.
4-12-1985	Kerala	1. Kerala State KVI Board. 2. Implementing agencies of Kerala. 3. Manvila Fibre Designing Centre. 4. Nirmalayam Fibre Centre, Manvila. 5. Shri Abdul Rahim, Director of Handloom. 6. Shri Murlidharan, Commissioner of Industries and Secretary Govt. of Kerala. 7. Khadi Centre, Ooruttukala. (Near Trivandrum)
5-12-1985	Tamil Nadu	1. Honey Marketing Depot, Kuzithurai. 2. Oil Chekku Workers Socy, Puthukkadai (Tamil Nadu) 3. Tamil Nadu State Palmgur Marketing, Federation Colachel (Tamil Nadu).
5-12-1985	Tamil Nadu	1. Chunkankadi Potters Cop, Society. 2. Khadi & V. I. Board Women Handspinning Go-op. Society. Suchindrem. 3. Kanyakumari Dist. Sarvodaya Sangh, Kottaram. 4. Pot Spinning Centre, Vishwanathpuram.
6-12-1985	Tamil Nadu	1. Representatives of the Palmgur Federation Workers and Primary Societies at Vivekanandapuram, Kanyakumari. 2. Ambasamudram Sarvodaya Sangh, Agarbatti Production Centre, Mukkudal. 3. Cane and Bamboo Workers Co-op. society, Vishwnathpuram. 4. Potters Co-op, Cottage Industries Society Ltd., Thenpothai.
7-12-1985	Tamil Nadu	1. Potters Cooperative Societies at Elanji. 2. Khadi Gramodyog Bhandar, Rajapalayam. 3. Non-Edible Oil Crushing Centre, Pudupatti. 4. Ramnad Dist. Sarvodaya Sangh, Srivilliputhur.

1	2	3
		5. Representatives of Village Oil and Carpentry and Blacksmithy Societies and Institutions at Sriviliputhur. 6. Bakery Unit, Madurai. 7. Khadi Gramodyog Bhavan, Madurai.
8-12-1985	Tamil Nadu	1. Gandhigram unit at Village Subbalapuram. 2. Gandhigram. 3. Siddha Ayurveda Pharmacy Laxmi Seva Sangham 4. Spinning Centre, Chokkampatti. 5. Gandhigram Centre at Kasipalayam village.
9-12-1985	Tamil Nadu	1. Tamil Nadu Khadi and V. I. Board Complex at Tirupur. 2. Tamil Nadu Sarvodaya Sangh Centre at Gandhinagar, Tirupur. 3. Sarvodaya Sangh, Padiyur. 4. Khadi Gramodyog Vidyalaya, Veerapandy. 5. Shri Balasundaram. 6. Representatives of implementing agencies and Tamil Nadu Khadi and V. I. Board at Tirupur. 7. Leather Co-op Society, Erode.
10-12-1985	Tamil Nadu	1. Khadi Gramodyog Bhavan, Madras. 2. The Minister of Khadi, Govt. of Tamil Nadu & Members of Tamil Nadu State KVI Board at Madras. 3. The Tamil Nadu State Govt. officials at Madras. 4. The Tamil Nadu State KVI Board at Madras.
11-12-1985		1. Pondicherry State KVI Board at Madras.
6-1-1986	Andhra Pradesh	1. The Sub-Committee of the Certification Committee at Guntur.
16-1-1986	Delhi	1. Shri Jha, Chief Executive Officer, Delhi KVI Board.
27-1-1986 & 28-1-1986	Karnataka	1. Visits to the centres of Bijapur Special Programme.

1	2	3
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Discussion held at CBRI Pune with: —

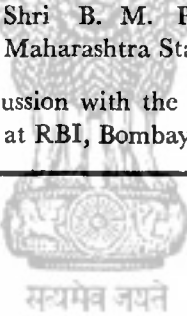
- | | | |
|-----------|-------------|---|
| 31-1-1986 | Maharashtra | <ol style="list-style-type: none"> 1. Dr. S. S. Marathe 2. Prof. D. A. Dabholkar 3. Prof. V. M. Dandekar 4. Prof. Kale 5. Shri Mohan Dharia 6. Shri S. M. Joshi 7. Smt. Tarabai Sathe 8. Smt. Shobhana Ranade 9. Smt. Savitribai Madan 10. Shri Padalkar 11. Shri G. H. Gondhalekar 12. Shri S. G. Shende 13. Dr. P. V. Sukhatme |
|-----------|-------------|---|

Discussions with various Heads of the Central Government Departments at New Delhi.

- | | | |
|-----------|-------|---|
| 24-2-1986 | Delhi | <ol style="list-style-type: none"> 1. Shri M. Subramanian, Secretary, Department of Agriculture. 2. Shri Shiromani Sharma, Secretary, Department of Textiles. 3. Shri A. S. Narayanswamy, Dy. Development Commissioner, Handlooms. 4. Shri R. C. Sinha, Joint Secretary, Department of Information and Broadcasting. 5. Shri R. Srinivasan, Joint Secretary Department, of Forest and Wild Life. 6. Shri Ashok Jaitly, Dy. Director, General Council for Advancement in Rural Technology (CART). 7. Shri Anuj Sinha, Principal Scientific Officer, Science and Technology. 8. Shri K. C. Khandewal, Principal Scientific Officer, Department of Non-Conventional Energy Sources. 9. Shri Ramesh Grower, Joint Secretary, Department of Non-Conventional Energy Sources. 10. Shri D. Bandopadhyay, Secretary, Rural Development. 11. Smt. Vibha Puri, Dy. Secretary, Rural Development. |
|-----------|-------|---|

1	2	3
		12. Shri R. Venkatanarayanan, Additional Secretary, Ministry of Commerce. 13. Shri M. Srinivasan, Director General Supplies and Disposal. 14. Shri M. S. Bhatnagar, Secretary, Department of Labour. 15. Mrs. C. P. Sujaya, Joint Secretary, Department of Women Welfare, Ministry of Human Resources Development. 16. Shri Mukhopadhyay, Handicraft Board. 17. Shri S. P. Mediratta, Joint Secretary, Central Silk Board. 18. Shri H. K. Ramaswamy, Director, All India Radio. 19. Shri Y. V. Desai, Chief Marketing Manager, State Trading Corporation of India. 20. Shri S. Kak, Export Commissioner, Chief Controller of Import and Export. 21. Shri N. Sengupta, Dy. Director General, Indian Institute of Foreign Trade. 22. Shri Mano Ranjan, Director (Leather) Ministry of Commerce. 23. Shri A. K. Srivastava, Director General, Labour Welfare, Ministry of Labour. 24. Shri S. K. Handa, Dy. Educational Advisor (T), Ministry of Human Resources Development.
26-2-1986		1. Shri L. C. Jain. 2. Shri Rameshwar Thakur.
		Discussion with eminent persons at Bombay.
19-4-1986 to 20-4-1986	Maharashtra	1. Shri Y. C. Sharma 2. Prof. J. C. Sandesara 3. Shri V. S. Page 4. Shri S. C. Sarkar 5. Shri R. L. Bhuta Bombay Khadi and V.I. 6. Shri Babubhai Patel Association. 7. Shri P. V. Raghvan 8. Prof. M. L. Dantwala 9. Prof. B. D. Tilak

1	2	3
21-4-1986	Maharashtra	Discussions with heads of various department of Maharashtra State Government at Mantralaya, Bombay. 1. Shri B. K. Chougule, Addl. Chief Secretary and Secretary, Industries. 2. Shri S. B. Deshmukh, Dy. Secretary (Industries). 3. Shri R. P. Wagh, Dy. Secretary, Department of Agriculture. 4. Shri S. K. Shidhaye, Desk Officer, Agriculture and Cooperation Department. 5. Shri S. S. Tinaikar, Secretary, Rural Development Department. 6. Shri R. S. Sankholkar, Under Secretary Social Welfare. 7. Dr. A. R. Masalkar, Dy. Secretary, Revenue and Forest Department. 8. Shri B. M. Parkar, Chief Executive Officer, Maharashtra State KVI Board.
21-4-1986		Discussion with the Governor of Reserve Bank of India, at RBI, Bombay.



APPENDIX III

Dates and Places of KAVIRC Meetings Held

Sr. No.	Dates	Places
1.	29-3-1985	New Delhi
2.	25-4-1985	Bombay
3.	17-7-1985	Lucknow
4.	21-8-1985	Guwahati
5.	30-10-1985	Jaipur
6.	10-12-1985	Madras
7.	29-1-1986 & 30-1-1986	Bombay
8.	26-2-1986	New Delhi
9.	20-4-1986	Bombay
10.	28-5-1986 to 30-5-1986	New Delhi
11.	21-7-1986 & 22-7-1986	New Delhi
12.	18-9-1986 & 19-9-1986	New Delhi
13.	5-11-1986 & 6-11-1986	New Delhi
14.	20-1-1987 to 22-1-1987	New Delhi
15.	19-2-1987	New Delhi



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ABBREVIATIONS USED

1.	AGMARK	:	Agricultural Marketing.
2.	AIKVIB	:	All India Khadi and Village Industries Board.
3.	AISA	:	All India Spinners Association.
4.	ATIRA	:	Ahmedabad Textile Industry Research Association.
5.	AIVIA	:	All India Village Industries Association.
6.	AMUL	:	Anand Milk Utpadak Cooperative Limited.
7.	ASCI	:	Administrative Staff College of India, Hyderabad.
8.	BTRA	:	Bombay Textile Industry Research Association.
9.	CART	:	Council for Advancement of Rural Technology.
10.	CASE	:	Commission for Additional Sources of Energy
11.	CBRI	:	Central Bee Research Institute
12.	CPWD	:	Central Public Works Department.
13.	CSIR	:	Council for Scientific and Industrial Research.
14.	CSRE	:	Crash Scheme for Rural Employment.
15.	DIC	:	District Industries Centre.
16.	DNES	:	Department of Non-Conventional Energy Sources.
17.	DPAP	:	Drought Prone Areas Programme
18.	DRDA	:	District Rural Development Agency.
19.	HMP	:	Handmade Paper
20.	ICAR	:	Indian Council of Agriculture Research.
21.	IDBI	:	Industrial Development Bank of India.
22.	IDP	:	Integrated Development Programme (of KVIC)
23.	IDS	:	Industrial Development Services, New Delhi.
24.	IIMA	:	Indian Institute of Management, Ahmedabad
25.	IIT	:	Indian Institute of Technology
26.	IRDP	:	Integrated Rural Development Programme.
27.	ISB	:	Industry, Services and Business
28.	ISI	:	Indian Standards Institution.
29.	KVIB	:	Khadi and Village Industries (Advisory) Board
30.	KVIC	:	Khadi and Village Industries Commission.
31.	LAMP	:	Large Size Multipurpose Cooperative Societies.
32.	MDB	:	Market Development Board.
33.	NABARD	:	National Bank for Agriculture and Rural Development.

34. NCST : National Committee on Science & Technology.
35. NEO Soap : Non-edible Oils and Soap.
36. NISIET : National Institute of Small Industries Extension Training.
37. NMC : New Model Charkha.
38. NSIC : National Small Industries Corporation.
39. PSPD : Promotion, Selection, Promotion, Direct Recruitment.
40. RBI : Reserve Bank of India.
41. R & D : Research and Development.
42. SASMIRA : Silk and Art Silk Mills Research Association
43. SFC : Standing Finance Committee.
44. SKVIB : State Khadi and Village Industries Board.
45. SSI Sector : Small Scale Industries Sector.
46. TECS : Tata Economic Consultancy Services, Bombay
47. TRYSEM : Training of Rural Youth for Self Employment.
48. TSC : Training Survey Committee.
49. VISDC : Village Industries Supply Development Centre.
50. VSI : Village and Small Industries.
51. CRISP : Computerised Rural Information Project.

